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Ombudsman for Financial Services (OFS), [formerly known as Financial Mediation Bureau] was incorporated on 30 August 2004 and commenced its operations on 20 January 2005. A company limited by guarantee, OFS is a non-profit organisation that serves as an alternative dispute resolution channel. It resolves disputes between its Members who are financial service providers (FSPs), licensed or approved by Bank Negara Malaysia (BNM), and financial consumers. OFS is the operator of the Financial Ombudsman Scheme (FOS) approved by BNM pursuant to the Financial Services Act 2013 and the Islamic Financial Services Act 2013. The FOS was launched on 1 October 2016.
What is an Ombudsman?

An Ombudsman is an independent person or body who addresses and resolves disputes fairly and speedily away from the courts or any other legal means.

VISION

To be the trusted and well respected independent dispute resolution avenue for financial consumers.

MISSION

We are committed to providing an independent, trusted, efficient and quality alternative dispute resolution service to financial consumers and financial service providers.

WHAT WE DO

We resolve disputes between financial consumers and financial service providers in an independent, fair and timely manner:

- We are unbiased and we do not take sides when resolving disputes.
- We make decisions based on relevant facts/evidence and circumstances of each dispute.
OUR SIX GUIDING PRINCIPLES

**INDEPENDENCE**
OFS shall be subject to the oversight of the Board, which shall be responsible for ensuring the integrity of the operations and its ability to provide effective and independent services to eligible complainants. OFS’ decision-making process shall be objective and independent of the Members and eligible complainants.

**FAIRNESS AND IMPARTIALITY**
In dealing with disputes, OFS shall act fairly and impartially. The Ombudsman must ensure that information provided by Members and eligible complainants is carefully and objectively considered in reaching a well-reasoned decision, while having regard to the law, regulations, standards and/or guidance issued by Bank Negara Malaysia as well as industry best practices; and

OFS must ensure that at all times, the Case Manager and Ombudsman handling a dispute have no conflict of interest with any of the disputing parties and provide fair, adequate and intelligible reasons for any decisions given.

**ACCOUNTABILITY**
To promote accountability, OFS shall publish a report annually, providing information on its activities and operations as well as disputes it has handled.

**TRANSPARENCY**
OFS shall publish information on its services and scope of coverage. This would include the types of disputes and awards granted by an Ombudsman, the approach adopted in handling disputes and the manner in which the decisions were made; and

In a dispute of material significance, OFS should also publish relevant information on the manner and reasons for arriving at a particular decision with a view of educating the general public and Members. However, the identities of the disputing parties shall remain anonymous, in compliance with any confidentiality and privacy obligations.

**ACCESSIBILITY**
OFS shall promote easy and affordable access to its services by creating awareness of its services, and maintaining easy to understand, clear and transparent procedures for eligible complainants to refer a dispute to the Financial Ombudsman Scheme (FOS).

**EFFECTIVENESS**
OFS shall have adequate resources with skilled decision-makers to resolve disputes in a timely and effective manner. OFS shall proceed with minimum formality and technicality to resolve the disputes.
THE YEAR AT A GLANCE

4,385 NEW COMPLAINTS AND ENQUIRIES RECEIVED

944 DISPUTES RESOLVED/DISPOSED

36% OF DISPUTES RESOLVED THROUGH AMICABLE SETTLEMENT AMOUNTING TO RM6.5 MILLION

24% Disputes resolved at Adjudication stage

72% DISPUTES RESOLVED WITHIN SIX MONTHS FROM REGISTRATION DATE

208 MEMBERS AS AT 31 DECEMBER 2019 (2018: 202 Members)

64% OF MEMBERS HAD NO DISPUTES LODGED AGAINST THEM

224,733 PEOPLE VISITED OUR WEBSITE (2018: 97,819)

1,047 DISPUTES REGISTERED (2018: 761)

3% NEW COMPLAINTS AND ENQUIRIES RECEIVED

68% OF COMPLAINANTS WERE SATISFIED WITH OUR OVERALL SERVICE

www.ofs.org.my

4,385 NEW COMPLAINTS AND ENQUIRIES RECEIVED
As part of the consumer protection framework, the Ombudsman for Financial Services (OFS) continues to focus on resolving disputes independently, fairly and impartially between financial consumers and financial service providers.

The OFS Board is pleased with the progress made on our third year of operation. The outcome of the Independent Assessment by Messrs Cameron, Ralph, Khoury (a Melbourne-based consulting firm that specialises in such assessments), which was completed in November 2019, was encouraging. The assessment concluded that OFS is an effective ombudsman scheme that has met the six guiding principles of independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness.

As it is vital that our service is to be known broadly to the general public, OFS has implemented a consumer awareness programme that strategised through digital medium and on-ground outreach programmes to reach out to the communities at large. This venture has proven effective in achieving a wider reach in the community and as such, OFS will be continuing with this exercise.

We have also been in constant engagement with our Members. Through dialogue sessions, we have a better understanding of their concerns and encounters. This gives us an opportunity to address them and provide effective solutions without compromising our position as an independent dispute resolution entity all aimed at improving market conduct in the financial industry.

To report, OFS continues to collaborate with the financial service providers and their trade associations, as well as the Securities Industry Dispute Resolution Center (SIDREC) and the consumer organisations to learn from each other the latest and most effective methods to resolve disputes efficiently and effectively for the benefit of stakeholders, particularly the financial consumers. We will continue with these beneficial exchanges.

Last year, OFS and SIDREC undertook a joint review to assess the feasibility of a proposed integrated dispute resolution scheme for the financial and capital market sectors. At the first stage of consultation process, feedback was sought from the financial service providers and
the relevant industry associations regarding this proposed integrated Alternative Dispute Resolution (ADR) Scheme. To date we are still evaluating this venture.

OFS is a member of the International Network of Financial Services Ombudsman Schemes (INFO Network), the worldwide association for financial services ombudsmen since 2010. Together with SIDREC we will be co-hosting the INFO Network’s annual conference for the first time in Kuala Lumpur. We certainly look forward to hosting a spectacular conference with relevant topics and discussions which are beneficial to us and the participants.

OFS employees have performed well in the past year and were rewarded with bonuses. We relish their services and appreciate that they are a valuable and important asset to our organisation. In this aspect, we will continue to empower our staff through various professional training programmes to develop skills in carrying out their duties efficiently.

**APPRECIATION**

Firstly, on behalf of my Board, I would like to convey my sincere thanks and gratitude to our former Chief Executive Officer, Puan Shahariah Othman for her great leadership and immense contributions during her two-year tenure at OFS. She has been recalled to assume the role of Director of the Payment System Oversight Department at Bank Negara Malaysia.

I welcome Ms Marina Baharuddin as the new Chief Executive Officer who filled the position in January 2020. Prior to the appointment, Ms Marina has served as the Ombudsman for Banking and Payment Systems in OFS since its inception in 2016. I wish her a smooth and successful transition into her new leadership role. I am confident that she will carry out her responsibility effectively and efficiently to bring OFS to the next level.

On behalf of the Board, I wish to take this opportunity to thank our Members and stakeholders for their involvement and support. I also convey my gratitude to the staff of OFS for their continuous commitment and competency in handling their responsibilities. Finally, I am much indebted to members of my Board for their constant support, guidance and unflailing enthusiasm in setting out practical ideas and procedures to run this organisation.

**THE WAY FORWARD**

We continue to strive to enhance our dispute resolution process and adapt to the changes in these demanding times.

We hope to do better than the last by investing in continuous efforts to improve the market conduct of our financial service providers in order to provide a commendable dispute resolution service to the financial consumers. However, we are cautious of the uncertainties and disruptions brought by the COVID-19 pandemic which has adversely affected the livelihood of consumers and businesses. We foresee challenging times ahead and expect a rise in the number of complaints relating to this pandemic. We will deal with this cautiously with great care to ensure of all those around us are safe in this process.

**Tan Sri Datuk Seri Dr Foong Cheng Yuen**  
*Chairman*
As the newly appointed Chief Executive Officer of Ombudsman for Financial Services (OFS), it is my great pleasure to present the highlights of our performance in 2019 and our strategy moving forward.

Our core objective is to provide an effective, independent and impartial alternative dispute resolution channel between financial consumers and financial service providers whilst upholding the six guiding principles which underpin the scheme of independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness.

It has been a remarkable year for OFS with the implementation of various strategic plans such as strengthening of processes, upgrading of information technology (IT) systems and robust training programmes for the staff in an effort to improve OFS’ efficiency, accessibility and effectiveness in dispute resolution.

In addition, 2019 marked the third year of the operations of the Financial Ombudsman Scheme. Pursuant to the Financial Services (Financial Ombudsman Scheme) Regulations 2015, the Islamic Financial Services (Financial Ombudsman Scheme) Regulations 2015 and the Development Financial Institutions (Financial Ombudsman Scheme) Regulations 2016, OFS is required to appoint an independent expert to conduct a qualitative and quantitative assessment on the performance of the scheme. The scope of review encompasses the scheme’s operations, procedures, efficiency and effectiveness taking into account the six guiding principles.

The overall report of the independent assessor highlighted both the strengths and weaknesses of the scheme. It gives us confidence to know that the report found OFS to be an effective ombudsman scheme considering that it has been a legislatively-enabled ombudsman scheme for only three years. The perspectives of and recommendations by the independent assessor will be taken into account as we plan for the organisation’s next move forward.
2019 PERFORMANCE

Complaints Handling

In 2019, we attended to 9,923 enquiries and complaints from the public, a reduction of 2.5% from 10,178 in 2018. In tandem with the reduction, the number of new enquiries and complaints received had reduced from 4,385 compared to 4,530 in 2018.

Out of the 4,385 new complaints and enquiries received, 57% were on insurance and takaful related matters, 40% on banking related matters and the remaining 3% were on payment systems, broking business and financial advisory services.

Notwithstanding the lower number of new enquiries and complaints received, the number of cases registered as eligible disputes in 2019 increased by 38% (1,047) compared to 761 in 2018. This is attributed to our robust screening process ensuring that disputes registered are from eligible complainants and are within OFS’ jurisdiction. The remaining cases fell outside OFS’ jurisdiction and/or closed due to insufficient documentation. Cases outside OFS’ jurisdiction were generally related to customer service issues, product pricing, underwriting and loan restructuring.

Disputes Handled and Disposed

In 2019, we handled 1,380 cases, of which 1,047 were registered within the year and 333 cases brought forward from the previous year. Out of the 1,380 cases handled, 944 cases (68%) were disposed. About 36% of the cases were resolved by amicable settlement between the complainants and FSPs through negotiation, mediation and conciliation. Cases that could not be resolved amicably were issued with a Recommendation by Case Managers and/or adjudicated by the Ombudsmen based on relevant facts and evidence, and what they opine to be fair and reasonable in the circumstances of the case. A standard operating procedure is in place to ensure consistency on the process and approach. A peer review process is implemented to maintain a high quality standard, and improve performance and credibility.

Financial Management

In 2019, our operating expenses had increased by 12% from RM6.67 million in 2018 to RM7.47 million. This is mainly due to the higher operating expenses arising from increased staff cost and upgrading of IT infrastructure. Our operational cost is funded by Members through levies and case fees. The levy is computed based on the budget requirement of OFS which is approved by the Board. Last year, we collected a total annual levy of RM6.27 million from licensed and prescribed institutions and case fees totalling RM1.55 million on disputes lodged against Members.

Capacity Building

With the rapid technological shift and innovation in financial products and services, the nature and circumstances surrounding the disputes handled by OFS has become increasingly complex and challenging. In this regard, we continue to reinforce the expertise of our Case Managers and Ombudsmen to improve their skills in managing disputes through various training programmes including knowledge sharing sessions with other Ombudsman Schemes abroad.

Stakeholder Engagements

It is crucial that we sustain positive and strategic relationships with our Members and other key stakeholders. Last year, we organised several proactive communication sessions with our Members to highlight new trends, concerns, gaps and improvements experienced by Members in their complaint management process.
Additionally, our staff have actively participated as conference panellists and forum speakers and contributed to research and focus group studies on financial and dispute resolution matters. We have also welcomed a number of representatives from Biro Pengaduan Awam Malaysia as well as delegates from China and Egypt to learn our approach and measures in resolving disputes.

Similarly, in 2019, numerous endeavours were put in place in augmenting OFS’ strategic initiatives to create awareness on OFS’ services. We continued our face-to-face outreach initiatives, advertisements and media features to reach various communities across the country. We aspire to further boost OFS’ brand and public awareness by leveraging on our key stakeholders and utilising the latest technology to intensify the campaigns.

To ensure that OFS continually meets our customers’ expectations, we conducted our second customer satisfaction survey in 2019. The outcome showed that 68% (2018: 74%) of the respondents were satisfied with our overall services. The customers’ constructive feedback is taken seriously, and measures are being carried out to enhance our customers’ experience.

We continue to collaborate with our counterpart, the Securities Industry Dispute Resolution Center (SIDREC). I am delighted to announce that OFS will be co-hosting the annual conference of the International Network of Financial Services Ombudsman Schemes (INFO Network) with SIDREC for the first time in Kuala Lumpur.

APPRECIATION

First and foremost, I would like to convey my deepest appreciation to my predecessor, Puan Shahariah Othman who contributed immensely to the development and evolution of OFS.

I would like to express my gratitude to the Chairman and OFS’ Board of Directors for their unwavering support and guidance.

I would also like to thank our Members, industry associations, Bank Negara Malaysia and our other collaborative partners for their continued support and co-operation throughout last year.

Last but not least, I am grateful to all my colleagues at OFS for their dedication, hard work and enthusiasm throughout the year. I look forward to working together towards providing an independent, trusted and efficient dispute resolution service to financial consumers and financial service providers.

Marina Baharuddin
Chief Executive Officer

FORGING AHEAD

Our main focus is on enhancing staff capacity, improving efficiency in dispute resolution and increasing the visibility of OFS. There is much more that needs to be done to create awareness on the services of OFS and to reach out to the underserved communities. To enhance the communication tools with financial consumers and financial service providers, we are working towards the establishment of a portal. The portal provides self-service experience and facilitates seamless communication for financial consumers and financial service providers.
PUAN SHAHARIAH OTHMAN was seconded from Bank Negara Malaysia (BNM) as the Chief Executive Officer (CEO) of Ombudsman for Financial Services (OFS) on 16 November 2017.

She is a visionary who made significant changes in the way OFS operated during her two-year term with OFS. She worked tirelessly to implement strategies to sustain OFS’ vision to be the trusted and well-respected independent dispute resolution avenue for financial consumers and the industry.

An exceptional leader who constantly pushed the boundaries and strove for what seemed impossible, she instilled a high performing team culture that produced outstanding results. She always encouraged and motivated us to persevere, be creative and love what we do.

Puan Shahariah’s role as OFS’ CEO ended when she was recalled to BNM to head the Payment System Oversight Department, which took effect on 2 January 2020.

We would like to express our sincere gratitude to Puan Shahariah for her valuable contributions not only to OFS but to every individual staff member. We wish her all the best and success in all her future endeavours.
TAN SRI FOONG was appointed as Chairman on 16 August 2016. He was a former Federal Court Judge. Prior to his elevation to the Federal Court of Malaysia, he served as a Judge of the High Court of Malaya and later a Judge of the Court of Appeal of Malaysia. While in the Malaysian Judiciary, he was made a Managing Judge of the Civil Division of the High Court in Kuala Lumpur and the High Court and Subordinate Courts of Penang. He retired from the Malaysian Judiciary on 25 February 2012.

Tan Sri Foong graduated from the University of London with LL.B (Honours) in 1969. He was called to the English Bar by the Honourable Society of the Inner Temple in 1970. While in practice after being called to the Malaysian Bar in 1971, Tan Sri Foong practised as advocate and solicitor and had served as legal adviser to numerous guilds and associations in Malaysia before his elevation to the High Court Bench. He was also the external examiner of the faculty of law in the University of Malaya.

He was made Honorary Bencher of the Honourable Society of the Inner Temple, London in 2009; and in 2011, was conferred an honorary Doctor of Laws degree by the University of the West England. He is an adjunct professor of law with Taylor’s University, Malaysia.

Currently, he practises law and is an arbitrator with the Asian International Arbitration Centre (AIAC), International Court of Arbitration (ICC), London Court of International Arbitration (LCIA) and Hainan International Arbitration Centre. He also serves as an independent director of several companies including Genting Berhad and OWG Group Berhad.

Tan Sri Datuk Seri Dr Foong Cheng Yuen
Tan Sri Dato' Sri Tay Ah Lek

TAN SRI TAY was appointed as Director and Deputy Chairman in December 2004. He is currently the Managing Director and CEO of Public Bank. He joined Public Bank as a pioneer staff in 1966. Prior to his present designation in Public Bank, he was first the Executive Vice-President of the former Public Finance and then the Executive Vice-President and Executive Director of Public Bank. He has had immense experience in the banking and finance industry for 59 years.

He is also a director of the Public Bank Group of companies, director of Cagamas Holdings Bhd, Chairman of the Association of Hire Purchase Companies of Malaysia as well as member of the Economic Action Council, member of the Steering Committee and the Service Provider Consultative Group of the National Payments Advisory Council, and Council Member of Association of Banks in Malaysia. He was the director of ASEAN Finance Corporation Ltd (2002 to 2017).

Tan Sri graduated from Henley, UK with an MBA and attended the Advanced Management Program at Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management; Fellow, Chartered Banker of the Asian Institute of Chartered Bankers; and Fellow of the CPA Australia and Financial Services Institute of Australasia.

Tan Sri Dato' Sri Zaleha binti Zahari

TAN SRI ZALEHA was appointed as a Non-Executive Independent Director in July 2017. In her 20 years of service in the Judicial and Legal service, Tan Sri Zaleha had served inter alia, as a Magistrate, Senior Assistant Registrar of the High Court, Deputy Public Prosecutor as well as Legal Adviser to the Ministry of Education, the Economic Planning Unit, the Ministry of Home Affairs and the Department of Inland Revenue. She was the Head of the Civil Division in the Attorney General's Chambers prior to being appointed as a Judge of the Superior Bench.

She qualified as a Barrister-at-law, Middle Temple, UK in 1971 before joining the Judicial and Legal Service. She also holds a Certificate in Legal Drafting from the University of London. Tan Sri Zaleha was appointed as a Judicial Commissioner and subsequently as Judge of the High Court, Court of Appeal Judge and thereafter, Federal Court Judge in 2012. She retired from the Malaysian Judiciary in November 2014.

She is currently an Independent Non-Executive Director of Genting Plantation Berhad. She served as Chairman of the Operations Review Panel of the Malaysian Anti-Corruption Commission from 15 August 2016 to 14 August 2019.
DATUK DR MARIMUTHU was appointed as a Non-Executive Independent Director in December 2004. He is a consumer activist, social worker and campaigner with honorary positions in both national and international non-governmental organisations. He was appointed to the Board of Puncak Niaga on 1 February 2018 as an Independent Non-Executive Director.

At national level, he is the Chairman, Malaysian Standards and Accreditation Council, Department of Standards Malaysia, Ministry of International Trade and Industry (2018 to 2020); Commissioner, National Water Services Commission (SPAN) (2007 to 2017); President, Federation of Malaysian Consumers Association (FOMCA); President, Malaysian Association of Standard Users; Professor Datuk Dr Marimuthu Nadason

University (2012). He was conferred Honorary Professor in Consumer Behaviour by Stichting Eurogio University College Netherlands (2014); Honorary Professor and Panel Expert by IIC University of Technology Cambodia (2014), Visiting Professor in Consumer Relations by International University of Georgia (2016), and Visiting Professor by Swiss School of Management in Formal Expertise (2019).

CEO, Education and Research Association for Consumers (ERA Consumer Malaysia), and a member of Institute of Integrity Malaysia. At international level, Datuk Dr Marimuthu is President of Consumers’ International (Cl), London (2019 to 2023). He was a Chairperson for the Asian Partnership for the Development of Human Resources in Rural Asia (AsiaDHRRA), Philippines (2006 to 2010). He also holds various advisory roles in several government or independent boards at national and international levels.

He holds a double master’s degree in Business Administration from the International American University and the Phoenix International University (2008); and Doctorate in Business Administration (DBA) from the International American

ENCIK RADZUAN was appointed as a Non-Executive Independent Director in December 2004. He is a Barrister of Lincoln’s Inn. He holds an MBA in Finance and Investments from UCLA as well as professional qualifications in economics, finance and law. He has more than 20 years of experience in the commercial and investment banking sectors where his knowledge and experience contributed towards two local bank rescues.

Encik Radzuan served as a lecturer at the University of Malaya and the National University of Singapore. In 2009, he was appointed by the Honourable Minister of International Trade and Industry (MITI) as a member of the Academic Advisory Council, Economic Research Institute for ASEAN and East Asia (ERIA). He was also a regular columnist with the Edge from 1998 till 2013.

Encik Mohd Radzuan bin Ab Halim

University (2012). He was conferred Honorary Professor in Consumer Behaviour by Stichting Eurogio University College Netherlands (2014); Honorary Professor and Panel Expert by IIC University of Technology Cambodia (2014), Visiting Professor in Consumer Relations by International University of Georgia (2016), and Visiting Professor by Swiss School of Management in Formal Expertise (2019).
**Mr Ong Chong Hye**

**MR ONG** was appointed as a Non-Executive Independent Director in December 2004. He served Standard Chartered Bank PLC and its Malaysian subsidiary for 37 years where he held several senior positions in domestic and international banking before retiring as Head of Banking Services. During that time, he was involved in business continuity and crisis management as part of the Group Operational Risk Management team. He was the Chief Inspector of the bank in Malaysia and a member of the Group HR Assessment Centre. He also attended the Pacific Rim Banking Programme at the University of Washington.

Mr Ong is a Fellow of the Chartered Institute of Bankers (England) and a Fellow of the Chartered Management Institute (UK). He holds a master's degree in Business Administration and is a Certified Financial Planner.

He was a member of the Panel of Experts in DOCDEX Rules, ICC Paris, on dispute resolution relating to international trade. He is also the Chairman of the Planters Benevolent Trust Malaysia and a Trustee of the Malaysian Estates Staff Provident Fund.

**Datin Veronica Selvanayagy**

**DATIN VERONICA** was appointed as a Non-Executive Non-Independent Director in October 2011. Prior to joining the insurance industry, Datin Veronica was in practice for six years handling both litigation and conveyancing matters.

She is currently Head of the Legal team of AIA Malaysia as well as General Counsel and Exco member of AIA Malaysia overseeing the legal, company secretarial, investigation, corporate governance, corporate security, business continuity and occupational safety functions for AIA Bhd, AIA Public Takaful, AIA Health Services Sdn Bhd and AIA Pension Asset Management Sdn Bhd. She was called to the Bar in 1991.

Datin Veronica has more than 20 years’ experience and expertise in the local insurance industry that includes corporate mergers and acquisitions, joint ventures and general consultation. She also had legal responsibility for the AIA entities in India, Sri Lanka and Indonesia.

She is a member of the Disciplinary Committee, Malaysian Financial Planning Council (MFPC); and member of the Administration and Finance Committee, Life Insurance Association Malaysia (LIAM). She is currently the Chairperson of LIAM, Persatuan Insuran Am Malaysia (PIAM) and Malaysian Takaful Association (MTA) Joint Task Force for the Personal Data Protection Act (PDPA) and Competition Act.
MR ANTONY was appointed as a Non-Executive Non-Independent Director in December 2017. He is currently Chairman of Persatuan Insuran Am Malaysia (PIAM), Chairman of the Malaysian Insurance Institute and Director of the Financial Services Professional Board (FSPB).

Mr Lee has been in the insurance sector for more than 19 years. Since joining AIG in 2001, he has served in various operational disciplines including CEO of AIG’s first Global Services Hub located in Malaysia and Regional Vice-President of Commercial and Consumer Businesses in the Asia Pacific Region.

He was CEO of AIG Vietnam in 2011 before his appointment as CEO of AIG Malaysia Insurance Bhd in October 2013.

MR JEREMY was appointed as a Non-Executive Independent Director in March 2018. Previously, he served in Bank Negara Malaysia and has more than 25 years’ experience in regulating and supervising the banking and insurance industry in Malaysia. He was the Director of the Financial Intelligence and Enforcement Department (FIED) and the General Counsel of Bank Negara Malaysia. He joined OFS as CEO from 1 August 2012 to 15 November 2017.

Mr Lee holds a Bachelor of Economics and a Bachelor of Jurisprudence degree with Honours from the University of Malaya, a Certificate in Legal Practice from Malaysia’s Legal Profession Qualifying Board and a Master of Law (LLM) from the Boston University School of Law in Massachusetts, US.

He represented Malaysia for the trade in finances services negotiations at World Trade Organisation (WTO) in Geneva, Switzerland, as well as negotiations for regional and bilateral free trade agreements. He was a member of the Small Debt Resolution Committee established by Bank Negara Malaysia which provided assistance to small and medium enterprises constrained by financial difficulties.

He retired from Bank Negara Malaysia on 16 May 2019. The last position he held was Director of the Consumer and Market Conduct Department.
**OFS BOARD COMMITTEES**

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<td>Board Audit Committee</td>
<td>1. Mr Ong Chong Hye (Chairman)</td>
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<td>2. En Mohd Radzuan bin Ab Halim</td>
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<td></td>
<td>3. Tan Sri Dato’ Sri Zaleha bt Zahari</td>
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<td>4. Mr Jeremy Lee Eng Huat</td>
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<td>5. Ms Kalpana Sambasivamurthy</td>
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<tr>
<td>Board Nomination and Remuneration Committee</td>
<td>1. Mr Ong Chong Hye (Chairman)</td>
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<td></td>
<td>2. En Mohd Radzuan bin Ab Halim</td>
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<td>3. Tan Sri Dato’ Sri Zaleha bt Zahari</td>
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<td>4. Professor Datuk Dr Marimuthu Nadason</td>
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<td>5. Datin Veronica Selvanayagy</td>
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<td>6. Ms Kalpana Sambasivamurthy</td>
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<td>Board Dispute Resolution Oversight Committee</td>
<td>1. Tan Sri Dato’ Sri Zaleha bt Zahari (Chairman)</td>
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<td>5. Mr Jeremy Lee Eng Huat</td>
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**Ms Kalpana Sambasivamurthy**

Ms Kalpana Sambasivamurthy was appointed as a Non-Executive Non-Independent Director in July 2018. She is currently Executive Director of the Association of Banks in Malaysia (ABM). Ms Kalpana holds a LL.B (Hons) from the University of the West of England, Bristol and a Masters in International Relations from the University of Nottingham.

She spent a decade in legal practice and thereafter moved into the corporate arena. She has more than 18 years’ experience advising on complex mergers and acquisitions, banking matters and general corporate matters.
**MANAGEMENT TEAM**

**Ms Marina Baharuddin**  
**Chief Executive Officer**

**MS MARINA** is the CEO of Ombudsman for Financial Services (OFS). Prior to this, she held the position of an Ombudsman under Banking and Payment Systems from October 2016 until December 2019. With over 20 years of experience in dispute resolution, she brings in-depth and practical understanding of financial consumer protection especially in areas of banking and financial services.

She started her career in the banking industry and progressed into dispute resolution with the Banking Mediation Bureau (BMB) as Assistant Mediator in 1998. She continued her service at the Financial Mediation Bureau (FMB) and assumed the post of Mediator in 2010.

She holds a Bachelor of Business degree with a major in Finance from Edith Cowan University, Western Australia and Bachelor of Laws (LLB. Hons) from the University of Hertfordshire, UK. She is an accredited Mediator and an Affiliate member of the Financial Services Institute of Australasia (FINSIA).

**Mr Kalyana Kumar Sockalingam**  
**Ombudsman (Insurance and Takaful)**

**MR KUMAR** was appointed as an Ombudsman in October 2016. He graduated with LL.B (Hons) degree from the University of East Anglia, Norwich, UK in 1987. He obtained the Certificate in Legal Practice (CLP) in 1989 and was called to the Malaysian Bar in 1990.

Mr Kumar served in the Malaysian Judicial and Legal Services for 18 years during which he held appointments as a Magistrate, Senior Assistant Registrar of the High Court (Bankruptcy Division), Deputy Registrar of the High Court (Commercial Division) and Deputy Registrar of the Supreme Court (Federal Court). He was also an examiner and setter for the CLP examination conducted by the Legal Profession Qualifying Board, Malaysia (1997 to 2007). He is the author of the book, ‘Halsbury’s Laws of Malaysia on Bankruptcy Law’. He has also written an article on insurance law which was published by the Malayan Law Journal. Prior to his appointment as an Ombudsman, he was a Mediator with the Financial Mediation Bureau (FMB) since July 2009.
PUAN INTAN has been with OFS and its predecessor scheme since 2010. During this time, she has held active roles in case management as Assistant Mediator/Case Manager and subsequently as Senior Case Manager.

Puan Intan’s professional career developed from her initial years in private legal practice in Kuala Lumpur as a practising lawyer specialising in trademark and anti-counterfeit matters. This was followed by her employment in a variety of roles in the financial services industry, which included the life and general insurance industry.

Puan Intan holds a Bachelor of Laws from International Islamic University Malaysia and was called to the Malaysian Bar in 1999. She also graduated from Malaysian Insurance Institute with a Diploma in Insurance. She was appointed as an Ombudsman in January 2020.
## OFS’ OPERATIONS

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OFS’ OPERATIONS

DISPUTE RESOLUTION

SCOPE
Following the implementation of the Financial Ombudsman Scheme (FOS) on 1 October 2016, the monetary awards that may be granted by the Ombudsman for a dispute registered under the FOS are as follows:

OFS’ Monetary Jurisdiction

<table>
<thead>
<tr>
<th>TYPE OF DISPUTE</th>
<th>MAXIMUM AMOUNT (PER DISPUTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and Islamic banking products and services/insurance and takaful claims</td>
<td>RM250,000</td>
</tr>
<tr>
<td>Motor third party property damage insurance/takaful claims</td>
<td>RM10,000</td>
</tr>
<tr>
<td>Unauthorised transactions through the use of designated payment instruments or a payment channel such as internet banking, mobile banking or automated teller machine (ATM), or unauthorised use of a cheque</td>
<td>RM25,000</td>
</tr>
</tbody>
</table>

EXCLUSIONS
OFS will not consider the following complaints or disputes:

- Cases that involve more than the specified monetary limit except for cases agreed by Members in accordance with sub paragraph 12(3) of OFS’ Terms of Reference (TOR)
- Cases on general pricing, product features, credit or underwriting decisions, or applications to restructure or reschedule a loan or financing which are commercial decisions
- The actuarial standards, tables and principles which a Member applies to its long-term insurance/takaful business
- Any complaints relating to contract of employment or agency matters
- Complaints referred to court or arbitration
- Cases brought to us after the six-month time limit (from the date of the final decision issued by Members)
- Complaints restricted under the Limitation Act 1953 or Limitation Ordinance (Sabah) (Cap.72), or Limitation Ordinance (Sarawak) (Cap.49)
- Any past decisions made by OFS (or by its Predecessor Scheme) unless new evidence arises
- Complaints or disputes on investment performance
- Complaints on capital market services and products
Disputes involving multiple complainants without the consent of the other complainant
Complaints involving third party bodily injury and death
Complaints related to payment or benefit under life and personal accident or payment of takaful benefits under family takaful or personal accident takaful set out in Schedule 10 of Financial Services Act 2013 and Islamic Financial Services Act 2013 respectively

ELIGIBLE COMPLAINANTS
Our eligible complainants are financial consumers who use any financial services or products provided by an FSP:

**INDIVIDUALS** for personal, domestic or household purposes

**SMALL AND MEDIUM ENTERPRISES (SME)** in connection with a small business

Financial consumers also include:

- Insured persons under group insurance
- Persons covered under group takaful
- Third parties making a claim for property damage under motor insurance/takaful
- Guarantors of a credit facility
- Nominees or beneficiaries under a life policy/family takaful certificate or a personal accident policy/personal accident takaful certificate
- Insured persons/covered persons and beneficiaries of the insured persons/covered persons under a group insurance/takaful certificate

OFS has the discretion to determine whether a financial consumer is an eligible complainant for the purpose of filing a dispute with OFS. Such determination is final and binding on the FSP.
DISPUTE RESOLUTION PROCESS

COMPLAINTS RECEIVED

- LETTER
- FAX
- WALK-IN
- CALLS
- E-MAIL

DISPUTE WITHIN OFS’ SCOPE

REGISTER DISPUTES

STATE 1 - CASE MANAGEMENT

NOT SETTLED

within 3 months from receipt of full documents

STAGE 2 - ADJUDICATION

DISPUTE RESOLVED

COMPLAINTS RECEIVED

SETTLEMENT

FSP and complainant mutually agree to settle

within 30 days

RECOMMENDATION BY CASE MANAGER

FSP AND COMPLAINT ACCEPT RECOMMENDATION

RECOMMENDATION

BY CASE MANAGER

within 30 days

FSP OR COMPLAINT REJECTS RECOMMENDATION

(option to refer to Ombudsman)

within 14 days from receipt of full documents

REVIEW BY OMBUDSMAN

COMPLAINANT REJECTS THE DECISION

• Decision is not binding on FSP and complainant
• Complainant may seek other avenues for redress

COMPLAINANT ACCEPTS THE DECISION

• Decision is binding on FSP and complainant

FINAL DECISION

to either
• award the full claim
• partial award
• dismiss the claim

FSP and complainant mutually agree to not settle

within 30 days

MEDIATION PROCESS

• Negotiation • Mediation • Conciliation

within 30 days

COMPLAINANT MAY SEEK OTHER AVENUES FOR REDRESS

COMPLAINT RESOLVED

• Decision is binding on FSP and complainant

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OUR PEOPLE

There are 44 employees in OFS led by a Chief Executive Officer (CEO) and supported by two Ombudsmen. Ms Marina Baharuddin was appointed as the new CEO of OFS on 2 January 2020. Puan Intan Khadiza was promoted as the new Ombudsman for Banking (including Islamic banking and payment systems) on 2 January 2020.

The dispute resolution (DR) department is made up of Case Managers and support staff led by the respective Ombudsmen. Our Ombudsmen and Case Managers are accredited mediators, the majority of whom come from legal and financial backgrounds. Most of our Case Managers have substantial knowledge and experience in handling various types of financial disputes. The DR team is supported by the Consumer Engagement and Analysis (CEA) and other departments including Human Resources, Finance and Administration, Corporate Communication and Information Technology.

CAPACITY BUILDING

OFS handles a distinct scope of disputes which necessitates the staff to have a comprehensive understanding of the products and services provided by the financial industry. In order to continue enhancing our services to all stakeholders, we equip all our officers with various learning and development programmes. This is so they can master the knowledge and skills required for quality decision-making in addition to developing their self-confidence and leadership qualities.

In collaboration with the Securities Industry Dispute Resolution Center (SIDREC), OFS organised a sharing session on effective dispute resolution. The session was led by Mr Ger Deering, an Ombudsman from Financial Services and Pensions Ombudsman’s Bureau of Ireland; and Dr Jamie Orchard, Member of SIDREC Advisory Group and former Executive General Manager of the Financial Ombudsman Service Australia. The topics discussed during the two-day workshop included the sharing of insights, current trends and emerging issues; integration of Alternative Dispute Resolution (ADR) Schemes, and measures to increase efficiency. Multiple role plays on pertinent case studies were also conducted to develop the practical skills of the Case Managers when handling complex and sophisticated cases.
We also carried out several in-house knowledge sharing sessions and took part in workshops and seminars throughout the year. We made sure that there were opportunities to constantly cultivate a positive corporate culture and teamwork among our staff in order to create a safe and conducive work environment.

Our staff participated in these learning programmes and sharing sessions in 2019:
- Insurance Claims Convention by the Malaysian Insurance Institute (MII)
- Microsoft Innovation Summit 2019
- Business English and Communication
- Liability Insurance Seminar by the MII
- "Antifraud Programme as a Powerful Tool to Combat Fraud" by National Insurance Claim Society (NICS)
- Securing Visible Management without Boundaries
- Bank Fraud Prevention and Detection by Asian Banking School (ABS)
- Occupational Safety and Health Act 1994
- Crisis Communication Workshop
- Mediation Skills Training by Malaysian Mediation Centre (MMC)
- VMWare vSphere 6.7 Virtual Infrastructure Certified Training
- Creative Leadership by the Star
- Communicate with Confidence by the British Council
- Stakeholder and Community Engagement Workshop
- Veeam Backup Infrastructure Certified Training
- Legal Aspects of Life Insurance by MII
- Business Writing Skills
- Finance for Non-Finance Personnel
- Travel Insurance - Travel/Trip Cancellation Benefit
- Importance of Effective Investigation
- Recommendation Writing Skills

INTERNATIONAL COLLABORATION
OFS has been a member of the International Network of Financial Services Ombudsman Schemes (INFO Network) since 2010. The INFO Network is a worldwide association for financial services ombudsmen formalised in 2007 with a current membership of 59 schemes. It provides knowledge sharing and networking opportunities among its members.

Every year, OFS participates in the annual conference organised by INFO Network association which enables its members to share views, challenges and insights from all over the world. Last year, our Ombudsmen took part in the INFO2019 Conference in Johannesburg, South Africa.
OUR MEMBERS

OFS’ Members are FSPs who are licensed persons under the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA), prescribed institutions under the Development Financial Institutions Act 2002 (DFIA), and FSPs who are approved persons under the FSA and IFSA.

As at 31 December 2019, OFS had a total membership of 208 (2018: 202) comprising Licensed Banks (including Islamic Banks), Prescribed Development Financial Institutions, Licensed Insurance Companies and Takaful Operators, Approved Designated Payment Instrument Issuers, Approved Insurance and Takaful Brokers, and Approved Financial Advisers and Islamic Financial Advisers. The list of Members is set out on page 83.

### OFS Members as at 31 December 2019

<table>
<thead>
<tr>
<th>Type of Members</th>
<th>31 December 2018</th>
<th>31 December 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed and Prescribed Institutions</td>
<td>100</td>
<td>99</td>
<td>1.0%</td>
</tr>
<tr>
<td>Approved Institutions</td>
<td>102</td>
<td>109</td>
<td>6.9%</td>
</tr>
<tr>
<td>Total</td>
<td>202</td>
<td>208</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
FUNDING

OFS provides a cost-effective alternative dispute resolution service to financial consumers and FSPs. We are a company limited by guarantee and a non-profit organisation. Our funding structure consists of annual levy and case fee imposed on our Members. The annual levy charged is based on OFS’ annual budget requirement which is shared equally among the Licensed Members and the Prescribed Institutions. In 2019, we collected RM6.27 million annual levies from 100 Licensed and Prescribed Institutions.

Case fee (effective 1 October 2017)

<table>
<thead>
<tr>
<th>INSTITUTIONS</th>
<th>CASE FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed and Prescribed Institutions</td>
<td>RM1,500 per case</td>
</tr>
<tr>
<td>Approved Institutions</td>
<td>Case Management Stage: RM100 per case</td>
</tr>
<tr>
<td></td>
<td>Adjudication Stage: RM500 per case</td>
</tr>
</tbody>
</table>

In 2019, 36% (2018: 34%) of our 208 Members had disputes registered against them. A total of RM1.55 million was imposed as case fee on the respective Members. The case fees paid by FSPs reflect the number of disputes registered against them.

OFS’ revenue and operating expenditure (2019)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2019 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Fees</td>
<td>1,546,500</td>
</tr>
<tr>
<td>Levy</td>
<td>6,270,000</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>7,816,500</td>
</tr>
<tr>
<td>Operating Expenditure</td>
<td>7,465,724</td>
</tr>
</tbody>
</table>
STAKEHOLDER ENGAGEMENT

MEMBER ENGAGEMENT
During the year, we carried out several engagement sessions with our Members in the form of dialogue and sharing sessions, forums and consultations. We realise the importance of constructive engagement to address the concerns raised by the Members while sharing our observations with them. These sessions help FSPs to build on their experience and handle complaints more effectively.

KEY ENGAGEMENT SESSIONS IN 2019:
- OFS’ Annual General Meeting
- Dialogue session with members of Life Insurance Association of Malaysia (LIAM)
- Dialogue session with members of Persatuan Insuran Am Malaysia (PIAM)
- Dialogue session with members of Malaysia Takaful Association (MTA)
- Dialogue session with members of Association of Banks in Malaysia (ABM), Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) and Association of Development Financial Institution of Malaysia (ADFIM)
- Multiple ad-hoc meetings and discussions with Members

Besides actively engaging with our Members, we also take part in various events as well as organise programmes.

Other public engagements carried out in 2019 include briefing sessions:
- On the Financial Ombudsman Scheme for the Public Complaints Bureau (Biro Pengaduan Awam), Malaysia (two-day)
- On alternative dispute resolution best practices for delegates from the Egyptian Banking Sector, Egypt
- On alternative dispute resolution best practices for delegates from the Complaint Reception Office of Shanghai Municipal Government
- On alternative dispute resolution for students from International Islamic University Malaysia
- For interns from Legal Aid Centre, Kuala Lumpur
- For the Tribunal for Consumer Claims
PUBLIC AWARENESS CAMPAIGNS

The significance of OFS’ role as an alternative dispute resolution avenue for disputes on financial services is becoming more evident with the increasing awareness shown by financial consumers who seek our services. Nevertheless, it remains our aim to continue promoting knowledge and understanding among the public on what we do and how we can assist them in resolving their financial disputes.

A robust public awareness and stakeholder engagement strategy is essential for OFS in achieving its objectives. In addition, we aspire to strengthen public confidence in line with our mandate to promote stability in our financial system and to be part of the consumer protection framework.

In 2019, we continued our efforts to publicise our services to the public. By participating in on-ground outreach events, mass media advertising and news features, we were able to enhance the visibility of OFS to the community. For the coming year, we will endeavour to intensify our initiatives in reaching more financial consumers who are still unacquainted with OFS and the services we offer.

KEY PUBLICITY CAMPAIGNS CARRIED OUT IN 2019:

- Several on-ground community engagements were carried out at financial carnivals, conferences and exhibitions across the country including East Malaysia by working closely with our regulator, Bank Negara Malaysia.
- Multiple presentations and pocket talks to the public and representatives of financial institutions as well as government agencies and associations were delivered.
- Radio commercials were aired nationwide to reach out to the public including communities from rural areas of peninsular and East Malaysia.
- Articles on OFS were featured in various publications and magazines.
- OFS’ posts on social media, especially on Facebook, reached more than 5000 people and enabled consumers to reach out to us through an online platform.
- OFS’ website is continually updated with new and relevant information to guide consumers on how to lodge a complaint and to allow them to do so anytime.
- The total number of visits to OFS’ website in 2019 was 224,733, a substantial increase compared to 97,819 in 2018.
CUSTO\N\R SATISFACTION SURVEY

In 2018, OFS conducted its inaugural customer satisfaction survey that reached out to complainants with cases resolved since the implementation of the Financial Ombudsman Scheme (FOS). We continued the initiative among complainants with cases resolved with us in 2018 and 2019.

Out of 568 surveys sent out, 142 (37%) responded. There was an increase of 27% in the number of responses received compared to the previous year.

The areas evaluated in the survey included: accessibility to OFS, knowledge and competency of our staff, our efficiency in handling disputes and the overall satisfaction level on services provided by OFS.

Based on the feedback received, 68% of the respondents were either satisfied or very satisfied with the overall services provided by OFS. There was a decline in the level of overall customer satisfaction compared to last year (74%). Among the issues highlighted via the complainants’ written feedback were lack of communication and delay in resolving cases.

In addition to getting feedback from complainants with registered cases, we also conducted a customer service satisfaction survey on our walk-in customers. Overall, we were given very positive feedback on the service received by the customers at the front desk. Some of the written responses included: ‘Excellent customer service’ and ‘Helpful and friendly staff’.

SUMMARY OF THE SURVEY

77% Respondents agreed that it was easy to reach OFS

71% Respondents were satisfied with our COMPETENCY AND KNOWLEDGE

64% Respondents agreed that OFS is EFFICIENT in handling their disputes

61% Respondents were satisfied with the TIME WE TOOK TO RESOLVE THEIR DISPUTES
INDEPENDENT REVIEW ON OFS

Pursuant to the Financial and Islamic Financial Ombudsman Scheme Regulations 2015 and Development Financial Ombudsman Scheme Regulation 2016, an independent review was commissioned by the Board of OFS in consultation with Bank Negara Malaysia in August 2019.

This was an inaugural review of OFS since its commencement in October 2016; the review was carried out by Messrs Cameron, Ralph, Khoury (CRK), a Melbourne-based consulting firm.

The scope of the review encompassed the operations and procedures of OFS with regard to the six guiding principles that underpin the financial ombudsman scheme, namely, independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness. The review also included an assessment on OFS' performance against the scheme's Terms of Reference (TOR) and the satisfaction levels of customers and members with the operations of OFS.

The independent review report set out their findings and highlighted both the strengths and weaknesses of the scheme. The independent assessor found that OFS has met the six guiding principles required under the scheme's TOR and concluded that it is an effective ombudsman scheme. This is a significant achievement for OFS given that it has been a legislatively enabled ombudsman scheme for only three years. OFS is evolving; enhancements and developments will be undertaken based on the recommendations by the independent assessor.

The key highlights of the independent reviewer's findings particularly on the six guiding principles are set out below:

**BOARD OVERSIGHT**

- Members of OFS' Board comprises 10 non-executive directors with four representing the industry. The Chairman and five other directors are independent with expertise in judiciary, regulatory, academia and consumer issues.
- OFS' resolution of complaints was undertaken independently of its Board under the guidance of the two Ombudsmen. The Board Committees provided an appropriate oversight of OFS' operations including its performance against the six guiding principles.
- Some of the directors participated in the knowledge sharing sessions conducted by the Ombudsmen from other jurisdictions.
- In order to be most effective in its oversight from a position of sound knowledge of Ombudsman practices, it was recommended that the Board continue to seek opportunities to build the Directors' knowledge of ombudsman scheme practices in other jurisdictions.
- For good corporate governance, the membership of a Board should be regularly refreshed in line with OFS' Constitution.

**DECISION-MAKING PROCESS**

- When dealing with FSPs and complainants, OFS should maintain its independence and act in a way that would not create perception of bias.
COMPLAINT VOLUMES

- Geographically, the complaints received were predominantly from the Central Region. The volumes derived from the East Coast Region and East Malaysia were low.
- Demographically, the majority of complainants were aged between 35 and 65 years who were self-employed or held management roles.
- It was recommended that awareness building efforts should be focussed on the demographic groups that are currently under-utilising OFS’ services and underserved.

AWARENESS BUILDING

- Both OFS’ Members and OFS have the responsibilities of taking steps to ensure potential users are aware of the scheme. FSPs can play a part in informing their customers of their right to access OFS in the FSP’s initial rejection letter.

ACCESSIBILITY OF OFS’ PROCESS

- OFS’ website provides useful information about the jurisdiction, who can lodge a dispute, a document checklist and the dispute resolution process.
- To increase the accessibility of complainants, OFS needs to simplify the information required from complainants.

PUBLICATION OF MATERIALS

- OFS publishes its Terms of Reference, Annual Report and case studies at the website with helpful information on the types of complaints handled by OFS and its dispute resolution process. The case studies published are anonymised.
- Over time, the FSPs and consumers would require in-depth information to assist them when dealing with OFS.
- In this regard, it was recommended that OFS develops a guideline to provide an insight on the approach used in dealing with common types of disputes.
- It was also recommended that the Ombudsmen’s decisions are published with information of the parties to a dispute anonymised.
RESOURCES
- The Ombudsmen and Case Managers are an important resource for the scheme.
- Continuous effort was in place to ensure staff were capable of carrying out their duties.

EFFICIENCY
- The independent reviewer found that the pre-registration process was relatively lengthy and this could contribute to delays. The issue on pre-registration delays has been addressed by OFS by standardising the operating procedures and enhancing supervisory oversight.
- It was recommended that OFS reduces the level of formality at the front-end process; complainants should be encouraged but not required to use OFS’ complaint form which should also be more consumer-friendly and less formal.
- To address these challenges, it was suggested that a more streamlined process for simpler complaints is put in place to free up resources for more complex cases.
Apart from the six guiding principles, an evaluation was also done on OFS' performance against the TOR, particularly on the efficiency, consistency and quality of OFS’ decisions.

The areas of assessment also included a review on the scope, funding structure, dispute resolution process, appropriateness of process for low value and simple disputes, capacity in handling indirect financial loss, level of member’s and consumer's satisfaction with the operations of OFS.

The independent reviewer observed that OFS had well documented, good work processes that promoted consistency in disputes handling. It had a flexible case management process that accommodated different types of disputes.

The dispute resolution process needs to be streamlined to cater for simpler complaints and those with low value. The quality of Recommendations can be addressed through a review process undertaken by a Senior Case Manager.

It is recommended that OFS’ scope and monetary threshold is expanded to provide wider access to consumers. OFS needs to continually develop and enhance its IT system to match that of most ombudsman schemes.

Taking into consideration the issues raised by the Members regarding OFS' current funding structure, CRK recommended a fairer funding model which reflects the effort required of OFS in handling complaints and appropriate incentive for FSPs at each stage of the dispute resolution process.

The full report on the independent assessment will be available at OFS’ website.
2019 PERFORMANCE

38 Overall Performance

45 Sectoral Assessment - Insurance and Takaful

63 Sectoral Assessment - Banking (including Islamic Banking) and Payment Systems
2019 PERFORMANCE

WE ATTENDED A TOTAL OF 9,923 ENQUIRIES AND COMPLAINTS IN 2019, WHICH IS A SLIGHT DECREASE OF 2.5% COMPARED TO 2018. OUT OF THESE, 4,385 WERE NEW COMPLAINTS AND ENQUIRIES, OF WHICH 57% WERE ON INSURANCE AND TAKAFUL RELATED MATTERS, 40% WERE ON BANKING MATTERS AND THE REMAINING 3% WERE ON PAYMENT SYSTEMS, BROKING BUSINESS AND FINANCIAL ADVISORY SERVICES.

THE ELECTRONIC MODE CONTINUED TO BE CONSUMERS’ PREFERRED CHANNEL TO MAKE ENQUIRIES AND LODGE COMPLAINTS WITH OFS (80%).

OF THE TOTAL 4,385 NEW COMPLAINTS AND ENQUIRIES RECEIVED IN 2019, 864 (20%) WERE REGISTERED AND THE REMAINING WERE CLOSED MOSTLY DUE TO INSUFFICIENT DOCUMENTS (18%), NO RESPONSE (15%) AND/OR THE CASE BEING OUT OF OFS’ JURISDICTION, E.G. CUSTOMER SERVICE ISSUES (14%).

THE TIME TAKEN TO REGISTER THE DISPUTES WAS GENERALLY WITHIN ONE MONTH FROM THE DATE OF THE RECEIPT OF DOCUMENTS AT THE SCREENING STAGE. THE PROCESSING TIME NEEDED TO SCREEN A COMPLAINT AND REGISTER IT DEPENDS ON SEVERAL FACTORS INCLUDING HOW COMPLEX A COMPLAINT IS, WHETHER OFS NEEDS TO CORRESPOND WITH THE FSPS, AND WHETHER THE DOCUMENTS SUBMITTED ARE COMPLETE.
At the screening stage, we take a proactive approach in dealing with the complaints received, which includes facilitating a resolution for early settlement without the need to register. For disputes that are outside OFS’ scope, the consumers are normally referred to the appropriate agencies.

**DISPUTES REGISTERED**

Since the commencement of OFS in October 2016 up until December 2019, we have registered 3,517 cases, most of which were related to insurance and takaful products.

In 2019, OFS handled 1,380 cases, of which 1,047 were cases registered and 333 cases brought forward from the previous year. A total of 944 cases were disposed and 436 were cases carried forward to 2020. The number of disputes registered in 2019 has increased significantly (38%) compared to 2018 (761 cases) resulting in an increase in the number of cases handled.

**Table 2: Disputes registered by sector**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance and takaful</td>
<td>562</td>
<td>725</td>
</tr>
<tr>
<td>Banking</td>
<td>194</td>
<td>310</td>
</tr>
<tr>
<td>Payment systems</td>
<td>5</td>
<td>12</td>
</tr>
</tbody>
</table>

Of the 1,047 cases registered in 2019:

- **69%** (2018: 74%) were insurance and takaful disputes;
- **30%** (2018: 25%) were banking (including Islamic banking) disputes; and
- **1%** was payment system disputes

For banking disputes, the increase in cases registered were mainly related to credit or debit card and internet banking issues.

**MONETARY THRESHOLD**

**Table 3: Monetary threshold**

<table>
<thead>
<tr>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life/family takaful and other general insurance/takaful</td>
</tr>
<tr>
<td>General/takaful (motor) and fire insurance/takaful</td>
</tr>
<tr>
<td>Motor insurance/takaful third party property damage</td>
</tr>
<tr>
<td>Banking/Islamic banking products and services</td>
</tr>
<tr>
<td>Unauthorised transaction through designated payment instruments</td>
</tr>
</tbody>
</table>
Out of the 1,047 cases registered in 2019, 65% were disputes with monetary amounts less than RM25,000 (2018: 63%) while 35% were disputes with monetary amounts exceeding RM25,000. The number of disputes with monetary amounts exceeding RM100,000 was comparable to 2018 at 11% with most related to insurance and takaful disputes. There were 100 cases (10%) with monetary amounts less than RM1,000 compared to 48 cases in 2018.

Twenty disputes with amounts exceeding OFS’ monetary jurisdiction were registered with the consent of the FSPs.

**PROFILE OF DISPUTES REGISTERED**

**By institution**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Insurance</td>
<td>390</td>
</tr>
<tr>
<td>Conventional Banking</td>
<td>259</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>225</td>
</tr>
<tr>
<td>General Takaful</td>
<td>66</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>44</td>
</tr>
<tr>
<td>Islamic Banking</td>
<td>40</td>
</tr>
<tr>
<td>Payment Systems (Non-bank)</td>
<td>15</td>
</tr>
<tr>
<td>Development Financial Institutions (Conventional)</td>
<td>5</td>
</tr>
<tr>
<td>Development Financial Institutions (Islamic)</td>
<td>3</td>
</tr>
</tbody>
</table>

**By product**

<table>
<thead>
<tr>
<th>Product</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life/Family</td>
<td>289</td>
</tr>
<tr>
<td>Motor</td>
<td>176</td>
</tr>
<tr>
<td>Non-motor</td>
<td>167</td>
</tr>
<tr>
<td>Credit and Debit Cards</td>
<td>111</td>
</tr>
<tr>
<td>Internet Banking</td>
<td>63</td>
</tr>
<tr>
<td>Motor TPPD</td>
<td>62</td>
</tr>
<tr>
<td>General (Medical)</td>
<td>51</td>
</tr>
<tr>
<td>ATM &amp; CDM</td>
<td>50</td>
</tr>
<tr>
<td>Operational Issues</td>
<td>45</td>
</tr>
<tr>
<td>Loan and Advances</td>
<td>28</td>
</tr>
<tr>
<td>Islamic Financing</td>
<td>13</td>
</tr>
<tr>
<td>E-Money</td>
<td>12</td>
</tr>
</tbody>
</table>

In 2019, most disputes were related to life/family, motor, non-motor insurance, credit and debit cards, and internet banking.

Disputes on life/family were mainly on medical and hospitalisation claims repudiated due to non-conformance to the policy/certificate definitions or fell under the exclusion clauses and non-disclosure or misrepresentation of material facts during application. Disputes related to mis-selling of products showed an upward trend.

Most of the motor insurance/takaful disputes were related to repudiation of claims due to late notification or late submission of claims. Disputes on non-motor insurance/takaful (59%) were related to Travel policy claims repudiated due to no coverage.
Disputes on banking matters increased by 62% in 2019 with a significant number of disputes relating to transactions made through credit card and internet banking. In line with the surge of internet banking in the financial sector, the number of cases showed almost a three-fold increase.

In most of these cases, customers were tricked into revealing their personal and confidential data such as their card details or One-Time-Password. With such crucial information at hand, fraudsters could easily perform these financial transactions.

Disputes related to credit or debit cards which commonly involved online transactions showed a growing trend with an increase of 44% compared to cases received in 2018. There was a significant reduction in disputes related to loss of or stolen credit cards in view of the introduction of the ‘Chip and PIN’ security feature. Nevertheless, the sheer volume of online transactions provides increased opportunities for perpetrators to perform fraudulent transactions.

Disputes registered by geographic area, age and occupation

The number of complainants from the Central Region were consistently high in the past few years, with 563 (54%) cases registered. This was followed by the Southern Region (18%), Northern Region (16%), East Malaysia (7%) and East Coast Region (5%). There was a slight increase of 3% for East Malaysia in 2019. Three cases were lodged by complainants from outside of Malaysia.

Individual financial consumers filed 92% of the disputes received while 8% were filed by SMEs. Demographic wise, 61% of the complaints received were lodged by men whereas complaints lodged by women stands at 39%. Almost half of the complainants were between 45 and 64 years old.

Table 4: Analysis of distribution of disputes received across our Members

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSP with disputes</td>
<td>34%</td>
<td>36%</td>
</tr>
<tr>
<td>FSP with no disputes</td>
<td>66%</td>
<td>64%</td>
</tr>
</tbody>
</table>

The number of FSPs with disputes lodged against them increased by 2% in 2019 compared to 2018. Of the 74 FSPs with disputes lodged against them, 58% had fewer than 10 cases in 2019.

DISPOSAL OF DISPUTES

We closed 944 cases in 2019 and of these almost three-quarters (673 cases) were disputes related to insurance and takaful while 271 disputes were related to banking and payment systems.
Out of the 944 cases disposed, 76% were at Case Management stage, while the remaining 24% were at Adjudication stage. The number of cases referred to the Ombudsmen showed an increasing trend over the past few years (2017: 12%; 2018: 17%).

Manner of disposal

In our dispute resolution process, the first and most important principle is that we consider each dispute on its particular facts. The specific circumstances of a case may require broader considerations and the resolution may be different from other disputes handled.

In 2019, 36% of the cases disposed were resolved by amicable settlement (326 cases at Case Management stage and nine cases at Adjudication stage). About 21% of the cases were closed due to no response from the complainant after the issuance of a Recommendation. Ongoing efforts are made to ensure that the complainants are aware of their opportunity to refer their disputes to the Ombudsman for a final Decision.

At the Case Management stage, the Case Manager will review the case and proceed with an investigation in order to establish the facts of a case and the available evidence. During this process, the Case Manager may contact both parties for further information. If a case is complex in nature or if there are several persons involved, the Case Manager may need to conduct multiple enquiries.

The aim is to resolve the matter as quickly as possible through negotiation, mediation and conciliation. All Case Managers have the required skills and capability to investigate and resolve complaints and where appropriate, provide remedies and identify systemic issues for improvement.
In 2019, 42% of the cases were resolved by settlement, of which 193 were insurance and takaful disputes and 133 were banking and payment systems disputes.

Should the parties fail to reach an amicable settlement, the Case Manager will make an assessment on the key findings and the available evidence and issue a Recommendation.

If any of the parties to the dispute reject the Recommendation, they may refer to the Ombudsman for Adjudication.

Adjudication stage

<table>
<thead>
<tr>
<th>Chart 10: Manner of disposal at Adjudication stage (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart.png" alt="Chart Diagram" /></td>
</tr>
</tbody>
</table>

In 2019, 226 cases were referred and resolved by the Ombudsmen, an increase of 58% compared to 2018 (143 cases).

The Ombudsmen issued a total of 217 Decisions in 2019. They upheld 79% of decisions made by the FSPs and revised the remaining 21%.

The Ombudsman’s decision is final and independent of the findings or the Recommendation by the Case Manager.

As specified in the Terms of Reference on the criteria for decision making, the Ombudsman must have regard to the law, regulations, applicable industry codes or guidelines, good industry practice and fairness in all the circumstances.

TURNAROUND TIME FOR DISPOSAL OF DISPUTES

OFS aims to resolve disputes as efficiently as possible. Some complaints may be resolved sooner while others may take over six months depending on the complexity of the subject matter. It also depends on how fast the parties involved respond to our requests for information or acceptance of a settlement.

<table>
<thead>
<tr>
<th>Chart 11: Turnaround time for disposal of disputes (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart.png" alt="Chart Diagram" /></td>
</tr>
</tbody>
</table>

In 2019, we closed 944 cases of which 72% (2018:65%) were resolved within six months from the date of registration.

Thank you so much. I couldn't have done it without your expert services. I take this opportunity to thank OFS, especially your Case Manager and Ombudsman for their time and effort.
### Table 5: Turnaround time for disposal of disputes (2019)

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>INSURANCE</th>
<th>TAKAFUL</th>
<th>CONVENTIONAL BANKING</th>
<th>ISLAMIC BANKING</th>
<th>PAYMENT SYSTEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 month</td>
<td>19</td>
<td>0</td>
<td>7</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>1 to 2 months</td>
<td>35</td>
<td>10</td>
<td>15</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>2 to 3 months</td>
<td>79</td>
<td>22</td>
<td>27</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>3 to 4 months</td>
<td>103</td>
<td>17</td>
<td>26</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>4 to 6 months</td>
<td>175</td>
<td>39</td>
<td>71</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>6 to 9 months</td>
<td>119</td>
<td>24</td>
<td>70</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>9 to 12 months</td>
<td>19</td>
<td>6</td>
<td>11</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>More than 12 months</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### DISPUTES OUTSTANDING

As at 31 December 2019, 436 cases were carried forward to 2020. Out of these, 283 are insurance and takaful disputes, while 153 were banking and payment systems disputes.

About 90% (391) of the outstanding cases are less than six months from the registration date (2018:94%). Approximately 10% of the outstanding cases have exceeded the six months period. However, the majority of those cases were registered only in the last quarter of 2019.

*We appreciate your kind assistance in helping settle the matter amicably with our customer.*
In 2019, there were 725 new disputes, an increase of 29% over the previous year. There were 231 cases brought forward from 2018, bringing the total to 956. We disposed 673 cases in 2019 and carried forward 283 to 2020.

Out of the 956, 83% of the disputes related to conventional insurance products, of which 615 were newly registered and 182 disputes brought forward from 2018. Of the 615 new disputes registered, 45% (276) were registered under the life insurance and general insurance (medical) category. This was followed by general insurance 24% (145), motor insurance 23% (143) and motor third party property damage 8% (51).

Disputes related to takaful products (159) comprised of 110 new registrations and 49 were brought forward from 2018. The takaful family recorded the highest number of disputes handled in the takaful category (72%), followed by takaful motor (28%). The disputes registered for takaful family were mainly on non-fulfilment of the definition of total and permanent disability, misrepresentation of material information and non-conformance of certificate terms and conditions.

Thank you so much for your help and I am glad at least I received half of the money. Once again, thank you so much. Really appreciate it.
Half of the disputes registered were against general insurance companies with claims totalling RM20.8 million.

Life insurance companies recorded 225 disputes with claims totalling RM9.2 million; 44 were registered against family takaful operators with claims of RM3.3 million.

General takaful operators recorded 66 disputes with claims of RM3.4 million.

The top three types of disputes registered in 2019 are:

- life/family 269, 37%
- general/takaful motor 176, 24%
- general/takaful non-motor 167, 23%

As in the previous year, life/family made up a third of the total cases with an increase in disputes involving the mis-selling of insurance products by the intermediaries.

General/takaful motor disputes increased to 176 (2018:150 cases), resulting from the late notification or late submission of a claim by the complainants.

General/takaful non-motor disputes increased to 167 (2018:114 cases), and were mostly on travel insurance.
The nature of disputes received were similar to previous years and were related to non-compliance of the policy terms and conditions, non-fulfilment of the policy definition for total and permanent disability or critical illness, and quantum for settlement in the event of loss of vehicle or vehicle declared as total loss or beyond economic repair.

Registered disputes with a monetary value of less than RM5,000 came mostly from general/takaful non-motor, life/family and general/takaful motor.

In 2019, nine disputes which exceeded the monetary limit of RM250,000 were registered with the FSPs’ consent.

By monetary range

<table>
<thead>
<tr>
<th>MONETARY RANGE</th>
<th>NO. OF DISPUTES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than RM5,000</td>
<td>238</td>
<td>33%</td>
</tr>
<tr>
<td>RM5,001 to RM10,000</td>
<td>91</td>
<td>12%</td>
</tr>
<tr>
<td>RM10,001 to RM100,000</td>
<td>296</td>
<td>41%</td>
</tr>
<tr>
<td>More than RM100,000</td>
<td>100</td>
<td>14%</td>
</tr>
</tbody>
</table>

Many thanks for your assistance and support regarding my insurance claim that has been settled amicably. Your time and patience are very much appreciated.
KEY INSIGHTS AND OBSERVATIONS IN RELATION TO INSURANCE AND TAKAFUL DISPUTES

LIFE, GENERAL MEDICAL INSURANCE AND FAMILY TAKAFUL

In 2019, we received a total of 320 new disputes (Life Insurance: 225 cases; General Medical: 51; Family Takaful: 44), an increase of 16% compared to 2018. The increase was largely contributed by the high number of disputes received for life insurance (2018: 150 cases).

The trend was similar to disputes received in 2018 where the majority of the disputes were in relation to medical and hospitalisation claims, followed by total and permanent disability claims and death claims.

There was an increasing trend in disputes related to medical and hospitalisation claims from 41% in 2018 to 53% in 2019. Most of these were in relation to claims that were rejected or excluded for the following reasons:

- the claims do not conform to the policy or certificate definitions, such as charges for services which were deemed ‘not medically necessary’
- the claims fall under policy exclusion, for example, admission primarily for investigation purposes and pre-existing illness
- there was non-disclosure or misrepresentation of material facts in the insurance/takaful application or renewal form

Disputes related to mis-selling of life insurance products showed an increasing trend compared to last year (2019: 23 cases, 2018: 9 cases).

A total of 303 cases were disposed in 2019, 69% (210) were disposed at the Case Management stage and 31% (93) at the Adjudication stage.

We disposed 71 cases (23.4%) through settlement which included review of decision by the FSPs after observations made by OFS. Out of 171 Recommendations issued, 11 were accepted by the complainants and the FSPs while 67 were closed due to no response from the complainants. Ninety-five were referred to the Ombudsman for Adjudication; the Ombudsman upheld the FSPs’ decision in 79 cases (83%) and revised the FSPs’ decision in nine cases (9%). Five cases were settled at Adjudication stage (8%).

OUR OBSERVATIONS:

Mis-selling of insurance products: Consumers play an important role in shaping the quality and delivery of financial services

The increasing number of disputes on mis-selling of life insurance products has raised concerns on the ability of the consumers in making informed decisions as to whether a particular policy meets their individual needs.

In a rapidly changing financial landscape, regulation alone is not adequate in protecting the interests of policy owners. More attention is needed to promote awareness and education to consumers in order to safeguard them from unfair practices.
Among the holistic approaches that can be employed to significantly increase the level of awareness of consumers are:

- carrying out post sales calls with dynamic questions to gauge the customers’ understanding on the product purchased;
- reminding the customers of their 15-day free-look period upon receipt of the new policy document; and
- improving the quality of advisory services by intermediaries when selling products to the public.

In addition, FSPs can improve their interaction with customers by adapting their interaction approach to accommodate the varying levels of their customers’ financial literacy.

In dealing with mis-selling cases, we wish to highlight the following:

- The majority of the policyholders were not aware of their rights to cancel the policy during the 15-day free-look period starting from the date of receipt of the policy.
- However, even if the policyholders fail to act during the ‘free-look’ period, they are not prohibited from raising the issue of misrepresentation or non-disclosure. What is important is that once the policyholder becomes aware of the true nature of the contract, he or she should take positive steps to seek clarification from the agent and insurer.
- The documentation for each FSP varies; for example, some institutions require the policyholder to sign the Sales Illustration while some do not.
- The burden to prove whether there was a misrepresentation is on the policyholder. He or she must prove that the said misrepresentation had influenced him or her into making the decision to purchase the said policy.
- Potential policyholders must read and understand the Product Disclosure Sheets or Sales Illustration and Summary before signing the policy contract. He or she must seek clarification from the sales agent or insurer to assist them in making an informed decision.

**Intermediary or Agent's fiduciary duty:**

To advise customers on the terms and conditions of the certificate

An intermediary or agent provides a vital link between financial consumers and FSPs. In practice, the intermediary or agent is the main contact between financial consumers and FSPs. It is also the intermediary or agent’s duty to act in good faith and to keep the insured informed of the basic requirements of the insurance product such as the Product Disclosure Sheets or Sales Illustration which contains the essential information of the insurance product. The Product Disclosure Sheets or Sales Illustration ensures that financial customers are well informed of the main features of the policy and the scope of the policy coverage.

It is observed that financial consumers often rely on the intermediary or agent with regard to application of an insurance/takaful product. As a layperson, a financial consumer is likely to regard an intermediary or agent as the best person to advise them on the terms and conditions of the policy/certificate. It is expected that an intermediary or agent would have a higher level of experience and knowledge on insurance/takaful products.

**Insurance policies must be interpreted to give effect to the object of the contract**

FSPs should not repudiate a claim on technical breaches which are not material or unconnected to the circumstances of the loss unless it has prejudiced the interest of FSPs or exceeded the limitation period as provided under the law. In interpreting the policies, FSPs should have regard to the commercial purpose of the contract.
CASE STUDY I
Mis-selling of insurance product

BACKGROUND
The complainant and her two siblings bought a regular premium whole life participating plan. They made a complaint on the lack of transparency and disclosure regarding the product’s features, as well as the lack of proper advice or guidance provided by the agent during the sales.

They alleged that the agent had misled them with the information that the policies will guarantee a 7% interest per year. As such, they requested for a full refund of the premium.

INVESTIGATION AND FINDINGS
The following findings were noted:

i) There was no Product Disclosure attached to all the policies as the policies were issued in 2007 and 2008.

ii) In all the policy contracts, it was stated that: A Guaranteed Annual Payment of 4.0% of the Initial Basic Sum Assured is payable annually at the end of each policy year starting from the 10th policy year onwards up to maturity age of 85, subject to Life Assured’s survival to the end of the policy year.

iii) The product sales illustration table is a one-page document which provides basic illustration on the accumulation of the Guaranteed Annual Payment Option which includes Guaranteed and non-Guaranteed payments.

iv) The Confirmation of Advice forms signed by the agent confirmed only the customer’s financial goals and the product recommended.

v) There was no confirmation obtained from the complainants to confirm that:
   ▪ they have fully understood all advice and recommendations that were given by the agent, including the features of the products recommended.
   ▪ they have studied and fully understood the brochure(s) or sales illustration which were given to them in respect of the life insurance product that they were planning to purchase.
   ▪ they were aware of the benefits offered by the life insurance product and were satisfied that they serve their needs.
   ▪ the agent had disclosed and explained all material facts and information relating to the proposed insurance applied.

vi) The complainants had received a flyer which states, Guaranteed 4+3% per annum. The flyers were distributed by the agent during a road show.

RECOMMENDATION
OFS’ Recommendation was issued in favour of the complainants for the following reasons:

i) In the absence of any detailed sales illustration or brochures on the product features, the complainants would in all probability rely entirely on the flyers at the point of sales as the source of printed information on the product.

ii) It is the responsibility of the insurer to ensure that all advertising materials on its products are accurate. The presentation of the information in the flyers is likely to deceive the complainants and create a false impression.

iii) The important features such as the non-guaranteed interest should be accompanied by unambiguous statements indicating that the information is predictive in nature and may be affected by the underlying assumptions.

iv) In the absence of the word ‘non-guaranteed’ for 3% interest, it has given an impression to any reasonable man that the total guaranteed interest is 7% instead of 4%.

The complainants and insurer accepted the Recommendation issued by OFS.
CASE STUDY II
Medical reimbursement claim

BACKGROUND
The insured's medical reimbursement claim under an Employee Benefit Group policy was rejected by the insurer on the ground that the claim for 'narcolepsy', which is related to the investigation of a sleep disorder, falls under the policy exclusion. The insured contended that he had obtained the confirmation from the hospital to pay the medical bills first and then make a claim for reimbursement before visiting the specialist.

The Case Manager had issued a Recommendation in favour of the insurer on the basis that 'pay and claim' did not mean that the issuance of payment by the insurer is automatic. The insurer would have needed to first validate the physical documents which at that time were not submitted to the insurance claims administrator.

The insured was not satisfied with the Recommendation and referred the case to the Ombudsman.

INVESTIGATION AND FINDINGS
The following findings were noted:

i) It is not in dispute that the claim falls under the policy exclusion.
ii) It is also not in dispute that the hospital staff had mentioned to the insurance claim administrator that the insured's referral letter was for 'narcolepsy' (which involved an investigation related to a sleep disorder).

DECISION
OFS adjudicated the case in favour of the insured on the following grounds:

i) While OFS agrees that it is the duty of the insured to read and understand the policy terms and conditions, it is also our view that the duty lies on the insurer or representatives and agents to exercise due care, skill and diligence when dealing with the insured.

This is especially so when the hospital staff did mention to the insurance claim administrator that the insured's referral letter was for narcolepsy. The insurance claim administrator should have informed the hospital and the insured that the treatment sought fell under the policy exclusion. Alternatively, they should have sought further clarification from the hospital. However, this was not done. Instead, the insurance claim administrator informed the insured to pay the bill and then file for reimbursement which gave the impression that whatever was paid would be reimbursed.

At this point, the insured could have made an informed decision if the insurance claim administrator had stated that the insured had to pay the bill and that reimbursement would be subject to policy exclusions. Accordingly, the Ombudsman found that the insurer failed to give clear and relevant information to the insured based on the factual matrix of the dispute.

The situation would have been different if the insurance claim administrator did not know that the insured's referral was for narcolepsy. As a matter of good practice and fair dealing, an insurer must implement measures, including training and monitoring to ensure that its staff, representatives and agents do not mislead an insured on the terms and conditions of an insurance product.

Further, by virtue of Section 129, Schedule 9, Part 2(12) of the Financial Services Act 2013, the conduct, negligence or omission of the agent is imputed to the insurer. As such, the insured should not be penalised for the agent's negligence or omission.

ii) Fair and reasonable as a guiding principle: One of the main differences between the Ombudsman Scheme and a court is that an Ombudsman decides on each case according to what he or she considers to be fair and reasonable in the circumstances of the particular case.
MOTOR INSURANCE AND TAKAFUL

There was a slight increase of 17% in motor disputes, from 150 disputes in 2018 to 176 disputes in 2019 (Motor takaful: 33 cases). The most common nature of these disputes were:

- late notification of claim to FSP
- cost of repairs
- market valuation

Repudiation of claims related to failure to take reasonable precaution decreased from 23 cases in 2018 to 16 cases in 2019. This could be attributed to the inclusion of the policy wording that expressly exclude certain perils, for example, theft cases resulting from vehicles which were left unattended with the key in the ignition.

A total of 152 cases (77%) were disposed at Case Management stage and 45 cases at the Adjudication stage. Out of 197 cases disposed, 64 cases (32.5%) were resolved through settlement; Recommendations were issued for 117 cases.

OUR OBSERVATIONS:

Lack of knowledge or understanding of the policy terms and conditions

Although the motor policy typically contains standard policy wording, our observation from the disputes handled revealed that a lack of knowledge or understanding of the policy’s terms and conditions continues to be an area of concern.

Whilst the complainants are reminded to read their policy carefully and understand their obligations under the terms and conditions of the policy, FSPs also have a duty to ensure that the policy terms and conditions are understood by the policyholders and the exclusion clauses made clear to them.

We observe that the highest number of repudiations by FSPs in relation to motor cases are the late notification of claims. An analysis of the cases revealed that the reason for the late notification is a lack of understanding by the complainants on the basic procedure when making a claim. Consequently, they fail to notify the FSPs of the loss within the stipulated time period.

On the other hand, we have also observed from several cases whereby the complainant had notified the agent concerning the accident or theft within the prescribed timeline, but the claim document was either not forwarded to the insurer or its submission was late.

Therefore, it is incumbent upon FSPs to have proper supervision of their agents and to note that they would be held responsible for the statements and actions or non-actions of their agents as provided for under the Financial Services Act 2013.

There was also a notable increase in cases involving cheating and/or criminal breach of trust (CBT) in 2019. It was observed that many complainants were unaware that FSPs can repudiate a theft claim if the loss of the vehicle resulted from an event of cheating or CBT.

Thorough investigation of claims

FSPs have been constantly reminded of the importance of a thorough investigation prior to repudiating a claim. However, there were instances where claims were declined by FSPs without detailed investigation being first carried out. In some instances, it was noted that FSPs relied on suspicion and apparent inconsistencies.
to repudiate claims without credible evidence. In one case where the claim was made for total loss of the vehicle as a result of fire, the claim was repudiated based on suspicions and apparent inconsistencies in the complainant’s statements without ascertaining the cause of the fire. It was only after discussions with OFS did the insurer, with the cooperation of the complainant, proceeded to obtain the investigation report from the Fire and Rescue Department to ascertain the cause of the fire. When the investigation report revealed that the fire was caused by sparks or a short circuit, the insurer then paid the complainant for the loss.

It is pertinent to note that when FSPs make a decision to repudiate a claim, the burden is on FSPs to prove that the claim is not payable. Hence, claims should be thoroughly investigated, and any repudiation should be supported by credible evidence and not influenced by suspicions or allegations.

**Basis of settlement involving Agreed Value policy**

When a motor policy is issued as an agreed value policy, it means that the insurer agrees to accept the value stated in the policy as the amount they will indemnify the insured in the event the insured vehicle is totally destroyed or stolen. It was observed from several cases that the FSP concerned opted to settle the claim by way of replacement vehicle instead of indemnifying the insured the agreed sum value. The FSP relied on Section A 2(b) under the Basis of Settlement clause which allows the insurer the option to settle a ‘total loss’ claim by way of a replacement vehicle.

However, it was pointed out to the FSP concerned that the section relied upon is not applicable to an Agreed Value policy as otherwise, it would defeat the very purpose and intention of such a policy.

**CASE STUDY III**

**Dispute on basis of settlement involving Agreed Value Policy**

**BACKGROUND**

The insured’s vehicle was completely damaged in a fire incident following which the insured submitted an Own Damage (OD) claim to the insurer. Instead of paying the agreed value sum as provided under the Agreed Value clause (Endorsement 87), the FSP relied on Section A 2(b) of the motor policy and decided to settle the claim by providing a replacement vehicle to the insured.

**INVESTIGATION AND FINDINGS**

The following findings were noted:

i) The insured’s motor policy was endorsed with Endorsement 87 - Agreed Value clause.

ii) The clause provides that if the vehicle is totally destroyed or stolen, the insurer will pay the agreed insured sum as stated in the policy schedule. Further, this agreed sum would be used as the basis of settlement.

iii) The advertisement on the FSP’s website also stated that if the vehicle is covered with an agreed value policy the insured will get the full pay-out on total car damage.

Based on these findings, OFS was of the view that the FSP’s basis of settlement was contrary to the intention of an agreed value policy.

**SETTLEMENT**

The FSP negotiated with the insured and amicably settled the dispute.
BACKGROUND
The insured submitted an Own Damage claim following an accident. The insurer repudiated the claim on the ground that the insured driver had failed to take reasonable precaution to safeguard the insured vehicle from loss or damage, which is a breach of Condition 7(c) of the Commercial Vehicle policy. The insurer’s decision was based on the loss adjuster’s report which revealed that the insured driver had collided onto a height restriction barrier whilst driving through an exit road despite the signboard warning indicating the height of the barrier (2.5 metres) located 200 metres before the height barrier. Further, there was also a height limit signboard placed above the height barrier. The measurement of the insured vehicle was 2.95 metres.

INVESTIGATION AND FINDINGS
The following findings were noted:

i) For Condition 7(c) to operate the insurer must show that that the insured or insured driver had acted recklessly or courted danger deliberately (Fraser v B.N.Furman (Productions) Ltd. [1967] 2 Lloyd’s Rep 1; Hong Leong Assurance Bhd v Teoh Seow Chiew [2004] 8 CLJ 247 which was also referred to in Malaysian Motor Insurance Pool v Naza Motor Trading Sdn Bhd (2011) 9 MLJ 605). Whether the insured or insured driver had taken reasonable precaution is a question of fact based on the particular circumstances of each case.

ii) The loss adjuster’s report revealed the following salient facts:
- it was the insured driver’s first time taking the said route.
- at the material time, he was using the GPS navigation to get to the intended destination. As such, he was taking the route indicated by the GPS navigation and did not notice the warning signboard.
- the insured’s driver had also stated in his statement to the loss adjuster that he did not know the height of the insured vehicle.

Based on the above circumstances, OFS is of the opinion that although the insured driver’s conduct may have been negligent, it could not however amount to recklessness or deliberately courting a danger. Further, even assuming that the insured driver did notice the signboard and the height limit signage on the height barrier he still would not have known that his vehicle could not pass through the height barrier since he was not aware of the height of the insured vehicle. The loss adjuster had also concluded in their report that the cause of the reported accident was due to negligence.

SETTLEMENT
The FSP agreed to review their decision and settled the claim.
BACKGROUND
The participant’s claim for loss of his vehicle was repudiated by the takaful operator on the ground that the claim falls within the exclusion of the certificate’s provision, i.e. the loss was due to ‘Cheating/Criminal Breach of Trust’ as defined in the Penal Code.

INVESTIGATION AND FINDINGS
It was observed that:

i) The takaful operator’s decision was based on the terms and conditions of the certificate which states as follows:

‘We will not pay for the following losses:
(ix) Any loss or damage, including theft, caused by or attributed to the act of cheating or criminal breach of trust by any person.’

Criminal breach of trust is defined in paragraph 8 of Section F of the certificate as follows:

**Criminal breach of trust**

This follows the meaning as defined under Section 405 of the Penal Code:

Whoever, being in any manner entrusted with property, or with any dominion over property, either solely or jointly with any other person dishonestly misappropriates, or converts to his own use, that property, or dishonestly uses or disposes of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied, which he has made touching the discharge of such trust, or wilfully suffers any other person so to do, commits ‘criminal breach of trust.’

ii) Findings by the loss adjuster:

- The insured vehicle was handed over by the participant to his friend, Mr A, voluntarily when he went for holiday during Hari Raya.
- Mr A subsequently surrendered the insured vehicle together with the car key to Mr C for safekeeping as he also went for holiday.
- Mr A realised that Mr C had absconded with the vehicle after he returned from holiday as he was unable to locate Mr C and the insured vehicle.
- Mr A and Mr C were known to each other as ‘friends’ for some time.

RECOMMENDATION
Based on the facts and circumstances of the case, the Case Manager was of the view that the takaful operator had repudiated the claim in accordance with the terms and conditions of the certificate on the following grounds:

i) The loss of the insured vehicle was not a theft as the vehicle was voluntarily handed over to a Mr C. Mr A had committed a breach of entrustment by surrendering the insured vehicle and its key to Mr C who absconded with the vehicle.

ii) The participant failed to establish that the loss was a peril that is payable and not excluded by the certificate. Based on the investigation carried out by the loss adjuster, the loss is attributable to criminal breach of trust which is an event excluded by clause 1(b)(ix) of Section A of the certificate.
A total of 167 disputes were registered under general non-motor. The number represented 23% of the insurance and takaful disputes for the year. The number of disputes in 2019 (167) was slightly higher than in 2018 (117).

Disputes received in 2019 under this category came from various types of policies that included the following:

As in previous years, travel insurance disputes continued to be the highest (59%) in 2019. The most common disputes related to travel insurance were cancellation/loss of deposit, baggage and personal effects, travel curtailment, travel delay and missed departure.

A total of 125 disputes were resolved out of which 105 (84%) were disposed at Case Management stage while 20 disputes were disposed at Adjudication stage. Out of the 105 disputes disposed at Case Management stage, 33 were resolved through settlement.

**OUR OBSERVATIONS:**

*Lack of understanding on policy terms and conditions*

Based on our observation, we noted that the complainants were ignorant of the policy terms and conditions particularly on exclusions, limits and the other terms and conditions of the policy.

We often highlight to the complainants that as a policyholder of insurance products, they ought to have read the terms and conditions of the policy to enable them to understand, in particular, the policy coverage and exclusionary clause.

On the other hand, we also encourage FSPs to be more pro-active in providing explanation on the policy terms and conditions to their customers. This could lead to a better understanding of the policy coverage.

I wish to place on record my sincere thanks for your hard work and professionalism! Every once in a while I find reason for a smile and renewed confidence in Malaysia—thank you for being that reason for me today!
BACKGROUND
The insured lost his handphone while travelling and a claim was made. The insurer made an offer of RM500 under item:

i) ‘Any one item with a limit of RM500.’

The insured was unhappy with this offer and was of the view that the loss of handphone should have been covered under this item:

ii) ‘Portable computers including tablets, PDA and the like which had a limit of RM2,000’

INVESTIGATION AND FINDINGS
The Case Manager noted the following:

i) There were several items under the Loss of Personal Baggage benefit stated as follows:
- Any one item – RM500 (limit)
- Portable computers including tablets, PDA and the like – RM2,000 (limit)
- Baggage damage per bag – RM250 (limit)

ii) The insured contended that the loss of handphone should be considered under item (ii) and not item (i).

iii) The insurer held the view that handphones are not the same as portable computers, PDA or tablet.

iv) The Case Manager highlighted that smart phones had the ability to perform functions of portable computers, PDAs and tablets and that ‘any one item’ was also not defined in the policy definitions.

SETTLEMENT
The FSP maintained their stand on the policy liability but agreed to increase the offer by an additional RM500 with a view to resolve this dispute. The insured was agreeable to this proposal and the dispute was resolved.
The third party property damage disputes registered for both conventional insurance and takaful increased to 62 in 2019 (2018:20 cases). Out of which, 41 cases involved claims on the loss of use of vehicle, whilst the remaining 21 involving disputes on the amount for the cost of repairs, betterment charges and breach of terms and conditions of the policy.

A total of 48 disputes were disposed of which 29 were resolved through settlement and the remaining included Recommendations accepted (3), no response from complainant after Recommendation (5), Ombudsman's Decision (4) and no response from complainant on OFS' inquiry (4).

The recurrent disputes under TPPD were claims for loss of use of vehicle, deductions for betterment and cost of repairs under Knock-for-Knock Agreement (KFK).

**OUR OBSERVATIONS:**

**Loss of use of vehicle**

The disputes under this category were related to the compensation for loss of use of vehicle while the vehicle was being repaired. The common issues raised by complainants were related to the rate applied for loss of use of vehicle and the number of days approved by the FSPs.

The compensation is based on the number of days required to repair the damaged vehicle and not for the entire period the complainant had lost the use of the vehicle. This compensation is referred to as the *Compensation for Assessed Repair Time* (CART).

Under Bank Negara Malaysia's (BNM) 'Guideline on Claims Settlement Practices (Consolidated)', the compensation for unforeseen delay is seven days. FSPs are encouraged to exercise their discretion to grant additional number of days for unforeseen delays.

**Deductions for betterment**

Betterment is a charge applicable to the policyholder if new or original parts are used to repair a vehicle above five years old, which results in the vehicle being in a better condition than it was before the accident.

The majority of the complainants were not aware of the imposition of betterment charges for vehicles above five years which are in accordance with the scale stipulated in the motor policy and BNM's Guideline.

The betterment charges may only be applied when new franchise parts are used for vehicles aged five years and above. Where betterment is applicable, the claimant should be given the option of using non-franchise parts and/or second-hand parts in order to avoid betterment charges.

Most complainants were satisfied with the explanation given by OFS on the rationale of betterment charges.
Cost of repairs under the Knock-for-Knock Agreement (KFK)

KFK is an agreement between insurance companies which involves third party claims. The handling insurer will seek reimbursement from the claimant’s insurer upon settlement of the claim. The objective of the agreement is to ease the process of third-party claim. In short, KFK is an agreement between FSPs in which the claimant is not a party to the agreement.

The common dispute in these cases are on the recommended cost of repairs made by the registered loss adjuster appointed by the claimant compared to the FSPs’ offers for the cost of repair.

In such disputes, the FSPs’ offer for the cost of repair was based on the mandate obtained from the claimants’ insurers without taking into account the recommendations of the registered loss adjuster appointed by the third-party claimants.

It is best practice that FSPs resolve any dispute on the cost of repair with the registered loss adjuster appointed by the claimant prior to making an offer of settlement.

CASE STUDY VII
Motor Third-Party Property Damage (TPPD)

BACKGROUND
The third party claimant had made a claim against the insurer for loss of use of vehicle. The insurer’s final offer was RM1,700. However, the third party claimant wanted compensation for 26 days.

INVESTIGATION AND FINDINGS
The following findings were noted:

i) Under BNM’s guidelines on Claims Settlement Practices, the number of days for Compensation of Assess Time Repair (CART) shall be based on the independent loss adjuster’s recommendation on the number of days for repair of the damaged vehicle subject to the insurer’s discretion to apply an additional seven days grace period for unforeseen delays.

ii) The number of days recommended by the independent loss adjusters was 10. The insurer exercised their discretion and added seven days bringing the total repair period to 17 days.

iii) The engine capacity of the third party claimant’s vehicle was 1991cc. Therefore, under the CART scale of the guidelines, the insurer was liable to pay RM40 per day. The insurer had revised the rate to RM100 per day. The RM100 rate per day offered exceeded the rate of RM40 provided under the CART scale.

DECISION
OFS adjudicated the case in favour of the insurer based on the following grounds:

i) The rate offered by the insurer of RM100 per day exceeded the rate provided by the guideline.

ii) The calculation for CART is determined by the number of days required for the repair of the damaged vehicle as assessed and recommended by the adjuster and shall exclude any delays, and/or by whomsoever caused which may occur before and/or after the assessed repair time.
Of the 673 disputes disposed under the insurance and takaful sector, 76% were disposed at Case Management stage and 24% at the Adjudication stage.

**Manner of disposal**

In 2019, a total of 201 cases were disposed through settlement.

In 2019, 193 (38%) disputes were resolved at Case Management stage through successful mediation due to the continuous efforts of FSPs in exercising their discretion towards resolving complaints and improving their claim process.

**Recommendation**

Of the 363 Recommendations issued in 2019, 31 were accepted by the complainant, 167 cases were closed due to no response from the complainant and three Recommendations were rejected by the complainant but not referred to the Ombudsman.

A total of 162 Recommendations issued at Case Management stage were rejected by the complainants and referred to the Ombudsman for Adjudication.

"Our highest gratitude and appreciation – we are so grateful for your support. Thank you so much."
Others

There were 117 disputes closed under these categories:

- **Non-response from complainant (82)**
  The disputes were closed (after a final reminder was issued) due to non-response to our inquiry letter requesting for further information or clarification.

- **Withdrawn by complainant (28)**
  E.g. the complainant(s) did not wish to pursue the disputes after an explanation was given on the reasons why the disputes were repudiated.

- **Out of OFS’ term of references (7)**
  This relates to cases that involved fraud elements or where the disputes were referred to court and/or where the complainant pursued legal proceedings against the FSPs.

### ADJUDICATION STAGE

**Chart A12: Manner of disposal at Adjudication stage (2019)**

<table>
<thead>
<tr>
<th>Manner of Disposal</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>FSP’s decision revised</td>
<td>82%</td>
<td>67%</td>
</tr>
<tr>
<td>FSP’s decision upheld</td>
<td>5%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Of the 162 disputes referred to the Ombudsman, 133 (82%) were decided in favour of FSPs. In contrast, there were 21 Decisions issued by the Ombudsman in favour of the complainant. These decisions took into account the principle of being fair and reasonable, and considered the ambiguity in interpretation of the terms and conditions of the policy.

Eight disputes were resolved through settlement indicating that FSPs complied with the Ombudsman’s findings and observations.

### TURNAROUND TIME FOR DISPOSAL OF DISPUTES

**Table A3: Analysis of time taken to dispose disputes (2019)**

<table>
<thead>
<tr>
<th>Time Taken to Dispose</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disputes closed within 3 months</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Disputes closed between 3 and 6 months</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Disputes closed after more than 6 months</td>
<td>27%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Out of the 673 disputes disposed in 2019:

- 25% were closed within 3 months (2018: 27%)
- 50% were closed between 3 to 6 months (2018: 46%)
- 25% were closed after 6 months (2018: 27%)

Disputes that closed after six months were due to the need for further investigation and time taken in obtaining medical reports from private or government hospitals. These include disputes that could not be resolved through mediation even though detailed explanations were provided.

**Dimaksudkan bahawa kami bersetuju dan menerima cadangan dan sebab-sebab yang diberikan oleh pihak tuan. Sekurang-kurangnya kami telah memahami cara-cara dan bagaimana syarikat insurans menangani kes pampasan ini.**
At the end of December 2019, 283 disputes remained outstanding. These have been closely monitored and tracked to ensure the disputes are resolved expediently. This is in line with our objective and continuous efforts to resolve disputes efficiently.

There were 251 disputes with an aging of less than six months and only 32 have exceeded the six months timeline.

**Saya ingin mengucapkan ribuan terima kasih kepada pihak OFS di atas kerjasama dan jasa baik di dalam pengurusan permohonan tuntutan insurans Allahyarham suami saya. Saya juga ingin mengucapkan ribuan terima kasih kepada Ombudsman dan Pengurus Kes yang telah banyak membantu memudahkan urusan permohonan tuntutan insurans ini.**

**This note of appreciation is in recognition of your Case Manager and clerical officer who played a supporting role in the resolution of my matter which was going on with my insurer. Once the Case Manager came on board early January 2019, taking up my case and with regular communication with me, things started to move. Thank God we have OFS. All I want to say is that OFS’ Case Manager and clerical officer are exemplary employees of OFS for having conducted the matter professionally without fear or favour, without whom this matter would have dragged on for a much longer period.**

**I trust my feedback would be taken positively by your good office and that your staff are commended for their work as they have done OFS proud. Employees like these do make the difference.**
OVERVIEW

A total of 424 disputes were handled in 2019 of which 102 were brought forward from 2018; 322 new disputes registered in 2019, an increase of 62%. Out of the 424 cases handled, 271 cases were disposed, and the remaining 153 were carried forward to 2020.

<table>
<thead>
<tr>
<th>Cases Registered</th>
<th>Cases Brought Forward</th>
<th>Cases Handled</th>
<th>Cases Closed</th>
<th>Cases Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>260</td>
<td>163</td>
<td>322</td>
<td>260</td>
<td>199</td>
</tr>
<tr>
<td>342</td>
<td>102</td>
<td>382</td>
<td>271</td>
<td>153</td>
</tr>
</tbody>
</table>

From the 322 cases registered, issues relating to card-based electronic payments remained the highest (34%) followed by disputes relating to internet banking (20%), electronic terminals (14%) and operational issues (14%).

PROFILE OF CASES REGISTERED

By institution

In 2019, 80% (259) of disputes registered were against licensed commercial banks totalling around RM6.6 million due to large retail banking customer base.

*Commercial Banks* 259

*Islamic Banks* 40

*Card and E-Money Issuers* 15

*Development Financial Institutions* 8

Disputes against Islamic banks was 40, with a claim amount of RM1.1 million; eight were against Development Financial Institutions with a total claim of RM148,423. Fifteen cases were registered against non-bank card and e-money issuers with claims totalling RM53,693.
There was an increase in the overall number of disputes registered on all product types compared to 2018. Disputes related to card-based electronic payment showed an upward trend of 44% compared to 2018. Similarly, disputes relating to internet banking increased in tandem with digital technology and e-commerce.

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Table B1: Nature of dispute by product type (2019)

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>NATURE OF DISPUTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card-based Electronic Payment Systems</td>
<td>• lost/stolen cards</td>
</tr>
<tr>
<td></td>
<td>• alleged unauthorised online transactions</td>
</tr>
<tr>
<td></td>
<td>• issues relating to chargeback</td>
</tr>
<tr>
<td></td>
<td>• unauthorised cash advances</td>
</tr>
<tr>
<td></td>
<td>• unauthorised withdrawals</td>
</tr>
<tr>
<td>Dispute Relating to Electronic Terminals</td>
<td>• non/short dispensation of cash from Automated Teller Machines</td>
</tr>
<tr>
<td></td>
<td>• alleged shortage of cash accepted by the Cash Deposit Machine/Coin Collection Machine</td>
</tr>
<tr>
<td>Operational Issues</td>
<td>• alleged mis-selling of insurance products by financial service providers (FSPs)</td>
</tr>
<tr>
<td>Internet Banking</td>
<td>• transfer of funds arising from phone scams and “phishing”</td>
</tr>
<tr>
<td></td>
<td>• transfer of money into wrong account by mistake</td>
</tr>
<tr>
<td>Loan Advances/ Islamic Financing</td>
<td>• interest unreasonably/wrongly charged</td>
</tr>
<tr>
<td></td>
<td>• wrong computation of instalment amount</td>
</tr>
<tr>
<td></td>
<td>• method of interest/profit computation</td>
</tr>
<tr>
<td></td>
<td>• MRTA/MRTT/MLTA and fire insurance</td>
</tr>
<tr>
<td>E-Money</td>
<td>• disputes relating to stored value by participants of approved designated payment instrument issuer (non-FSP) due to alleged unauthorised transactions</td>
</tr>
<tr>
<td></td>
<td>• alleged unauthorised transaction and chargeback through payment gateway</td>
</tr>
</tbody>
</table>

---

“We wish to inform you that this matter has been solved. I thank you for all the assistance rendered to us during this period. I am honoured and blessed on your kind assistance.”

“Thank you very much for helping out on this case. I appreciate it very much and at least the money will help to lessen the burden that we have now.”
The common disputes registered in 2019 were:

- **Card-based electronic payment**: 111 cases, 34%
- **Internet banking**: 63 cases, 20%
- **Dispute relating to Electronic Terminals – Automated Teller Machines (ATM) and Cash Deposit Machines (CDM)**: 50 cases, 16%
- **Operational issues**: 45 cases, 14%

### By monetary range

The monetary range for cases registered for banking and payment systems were:

<table>
<thead>
<tr>
<th>MONETARY RANGE</th>
<th>NO. OF CASES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than RM25,000</td>
<td>269</td>
<td>84%</td>
</tr>
<tr>
<td>RM25,001 to RM50,000</td>
<td>29</td>
<td>9%</td>
</tr>
<tr>
<td>RM50,001 to RM100,000</td>
<td>14</td>
<td>4%</td>
</tr>
<tr>
<td>More than RM100,000</td>
<td>10</td>
<td>3%</td>
</tr>
</tbody>
</table>

About 84% of disputes registered under the banking and payment systems sector had a monetary value of less than RM25,000. The majority of registered cases were disputes with claims amounting to less than RM5,000 (128 cases).

"On this note, we would like to express our gratitude to your office for all the assistance that you have extended to us. In particular, we would like to make a special mention to your Case Manager for her untiring efforts to follow up on our behalf and to successfully plead, present and argue our case. We would like to state that if it were not for her determination, we would not have been able to obtain this gesture from the financial institution."

"I wish to express my gratitude for the speedy mediation. My complaint has been settled amicably. Thank you so much for taking care of the small consumer on the street. Please keep up the good service."
KEY TRENDS AND INSIGHTS ON BANKING AND PAYMENT SYSTEMS DISPUTES

CARD-BASED ELECTRONIC PAYMENT

A total of 111 disputes were registered under this category in 2019, an increase of 44% from 2018. Out of 155 disputes handled, 98 cases were disposed, out of which 39% were settled. About 7% of disputes were closed upon acceptance of the Recommendation by the parties and 11% were closed due to non-response.

The types of disputes handled under this category were:

<table>
<thead>
<tr>
<th>Type of Dispute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash advances</td>
<td>3%</td>
</tr>
<tr>
<td>Merchant against FSP - Non payment/rejection of claim</td>
<td>2%</td>
</tr>
<tr>
<td>Complaints against FSP - Defective merchandise</td>
<td>4%</td>
</tr>
<tr>
<td>Others (banking)</td>
<td>16%</td>
</tr>
<tr>
<td>Online transactions</td>
<td>3%</td>
</tr>
<tr>
<td>Unauthorised transactions (non-lost card)</td>
<td>31%</td>
</tr>
<tr>
<td>Unauthorised transactions (lost and stolen cards)</td>
<td>38%</td>
</tr>
</tbody>
</table>

There was an increasing trend in disputes related to stolen cards used abroad. Complainants often became victims of pickpockets and in most instances, the transactions were performed without the need of a PIN for retail transactions. Most of the merchants' terminals abroad did not require a PIN and transactions were approved through signature verification.

For transactions performed locally within Malaysia, it is noted that in most instances, the PIN was compromised.

Sixteen lost and stolen credit card cases were resolved through mutual settlement valued at RM213,045.09 as the parties involved agreed with the findings of the Case Manager during the mediation session. Three Recommendations valued at RM33,621.76 were accepted by the complainant and 10 cases that were adjudicated by the Ombudsman were valued at RM145,335.08. One case was withdrawn by the complainant.

In determining the liability for disputes involving lost and stolen cards, the following factors are taken into account:

- whether the complainant had contacted the bank as soon as reasonably practicable to block the card
- whether the bank had taken reasonable steps to temporarily block the complainant's credit card when the alleged transactions were alerted in their system

In most cases, there were delays in blocking the credit cards as the complainants’ mobile phone were not set on roaming mode. This contributed to the delay on the part of the complainants in receiving any text alerts or calls from the bank regarding the unusual transactions.
CASE STUDY I
Stolen credit card

BACKGROUND
Mr A went to Vietnam for a business trip. While in Vietnam on 6 April 2019, he received two text messages from BB Bank regarding two transactions amounting to VND1.57 million and VND1.210 million (equivalent to RM283.21 and RM218.36) respectively. He ignored the text messages because the amount transacted were relatively small and within his spending pattern.

Upon his return to Malaysia on 12 April 2019 he found out that his BB Bank credit card was missing. Mr A lodged a police report on the same day.

Mr A discovered that two transactions for RM31,323.97 and RM24,157.37 (VND157 million and VND121.08 million) were charged on 6 April 2019.

Mr A disputed that the amount stated in the text alert differed from the amount indicated in the credit card statement. He contended that had the bank notified him of the actual amount, he would have taken immediate action.

Unfortunately, BB Bank rejected the claim on the grounds that Mr A failed to safeguard the credit card and that there was a delay in notifying the lost or stolen card to the bank.

INVESTIGATION AND FINDINGS
i) BB Bank received a call from Mr A regarding the lost and stolen card on 12 April 2019 at 9:59pm and the card was blocked immediately.

ii) There was a delay of seven days on Mr A’s part in reporting the lost and stolen card to the Bank.

iii) BB Bank averred that text alerts were sent to Mr A regarding the two transactions made in Vietnam on 6 April 2019 amounting to VND157 million and VND121.08 million respectively (equivalent to RM31,323.97 and RM24,157.37). However, the transactions’ amount stated on the text alerts were shown as VND1.57 million and VND1.210 million because the full text figure could not be displayed due to space constraint.

DECISION
The Ombudsman apportioned the losses equally on the following grounds:

i) The disputed amount stated in the text alert was misleading. The issue on limited decimal space had to be addressed by the bank to avoid confusing and misleading information to cardholders.

ii) On the other hand, Mr A’s delay in reporting the lost card to BB Bank had also contributed to the monetary losses.
CASE STUDY II
Online transaction

BACKGROUND
Madam T alleged that she received a SMS notification that she had won a lucky draw from an e-wallet. Based on the instructions, she provided her information in the online form. She subsequently received a call from a man allegedly from the 'e-wallet company' requesting for her debit card number and PIN.

Subsequently, Madam T received multiple text alerts from the bank informing her of transactions from her savings account. She did not receive any prizes from the e-wallet and realised that she had been scammed.

Madam T disputed the transactions with the bank. The bank rejected the claim on the basis that Madam T had revealed her debit card information to the fraudster and that the transactions were authorised by Madam T.

INVESTIGATION AND FINDINGS
1) Madam T revealed her banking credentials including her debit card number, card verification value (CVV) and Transaction Authorisation Code (TAC) to the fraudster when she thought she had won a prize.
2) The disputed transactions were performed via the merchant’s 3D secured platform with TAC which was revealed by Madam T voluntarily.
3) She was fully aware of the disputed transactions performed because she wanted to claim the prize. She only notified the bank nine hours after the transaction had been made. She had delayed reporting the incident to the bank.
4) Madam T had failed to safeguard her banking credentials which led to the losses.

RECOMMENDATION
The Case Manager recommended in favour of the bank.

Disputes relating to online transactions

About 16% (18) of cases registered in 2019 were disputes relating to online transactions where consumers were deceived into revealing their banking credentials to third parties through social engineering scams. In certain cases, consumers were guided into performing certain transactions including changing their registered mobile numbers to the fraudster’s number at the ATM. In doing so, the One Time Passwords (OTPs) were routed to the fraudsters’ mobile number which then enabled online transactions to be carried out without the knowledge of the consumers.

Consumers are reminded to be more vigilant of telephone scams or calls from unknown sources which may lead to their banking credentials being used for online transactions.

Based on our findings, the alleged unauthorised transactions were performed with the complainant’s credit or debit card numbers and card verification value (CVV) numbers with the OTPs sent by the bank to the complainant’s registered mobile in order to complete the online transactions. The most rampant disputes were related to online purchases for games, uploading software applications, and e-wallet top-ups.

Three cases were mutually settled during the mediation with the settlement amount of RM33,388, whereas one case was referred to the Ombudsman.
Unauthorised transactions  
(non-lost card disputes)

About 38% (42) of cases registered in 2019 were related to unauthorised transactions where the complainants’ cards were not lost or stolen. The complainants alleged that their cards were in their possession and they did not lose their cards when the alleged unauthorised transactions took place.

Based on our findings, the complainants’ card details were compromised which enabled the fraudsters to perform the disputed transactions without their knowledge.

There were complainants who claimed that the credit cards were in their possession while the transactions had occurred abroad. However, upon reviewing the Visa or Master Card transactions' log, it was found that the disputed transactions were made with the physical card present. The transactions were authenticated through the verification of the chip embedded in the card and/or with the correct PIN.

Under such circumstances, the claim is rejected because the physical card was presented and there is no chargeback right for transactions under the ‘card present environment’.

About 13 disputes were settled during mediation at the value of RM68,775. Two Recommendations valued at RM22,137.75 were accepted by the parties and four cases were closed due to no response from the complainant after the Recommendation was issued; and 10 cases were referred for Adjudication. One case was withdrawn by the complainant and one closed due to no response from the complainant.

Other credit card issues

Other types of disputes under this category were related to double billing, duress cases, cloned cards and cashback issues. In ‘cashback’ promotion cases, the complainants alleged that they were being misled into thinking that they had fulfilled the qualifying spend and were entitled for cashback. The factors taken into consideration when making a decision on the case is whether the salient terms and conditions were clearly stipulated in the brochure.

Chargeback issues

About 6% (7 cases) of cases registered related to chargeback issues. Most of these cases were related to sham investment schemes (6 cases) and defective merchandise (1 case).

Complainants were enticed into participating in investments by the merchants who misrepresented themselves as registered brokerage firms based abroad. The investments were made through credit and debit cards.

The complainants subsequently realised they were scammed and decided to cancel their investment accounts with the merchants. They alleged that the merchants failed to comply with the terms of the investment. The complainants filed disputes with their card issuing bank to recover the investments through chargeback on grounds of services not rendered. In most cases, the chargeback was unsuccessful as the complainants were provided with the trading platform by the merchant and the funds were invested in the trading accounts. This is construed as services had been rendered by the merchant. Complainants should be more vigilant before participating in any online investments promoted on websites.
CASE STUDY III
Cash back promotion

BACKGROUND
Mr X participated in a cashback programme of ABC Bank. Under ABC Bank’s cashback programme, the cardholder must spend the minimum monthly qualifying amount of RM1,000 which was set out in the programme during the campaign period. Cashback was awarded on a first come, first served basis. Mr X spent in accordance with the requirement under the cashback programme, but he was not awarded with cashback.

INVESTIGATION AND FINDINGS
ABC Bank’s cashback programme was from January to December 2018. Under the programme, the cardholder must spend a minimum of RM1,000 per month to qualify for the cashback. The maximum cashback awarded per month was RM50 and the monthly allocation of the cashback pay out was RM148,000.

The programme brochure contained the following information:

‘10% Cash Back
Utilities - Enjoy monthly rebates when you pay your utility bills to these service providers Maxis, Celcom, Digi, Astro, TM, TNB
Dining - Make every bit count and receive Cash Back when you dine at participating merchants
Online checkout/Online payment - Just save your ABC Bank card details at the following online merchant apps: PayPal, iTunes, Uber, Google, Lazada, Apple Store, Grab/Grab Taxi.

A qualifying spend of RM1,000 and above per month must be fulfilled to be eligible for cash back. The maximum cash back amount is capped at RM50 per month. For more information and full terms and conditions, please log on to www.ABCBank.com.my.’

On perusal of the programme brochure and the terms and conditions, the following issues were observed:

i) Qualifying spend
   ▪ The term ‘qualifying spend’ was not clearly defined in the brochure and terms and conditions. The bank should highlight the excluded categories of qualifying spend in the programme leaflet or advertisement so that consumers are made aware of the types of transaction which constitutes qualifying ‘spend’.
   ▪ In the absence of a clear definition of ‘spend’ in the programme leaflet or advertisement, Mr X had met the qualifying spend for the months of July, August, September, October and December in 2018.

ii) Allocation of cashback pay out
   ▪ The salient term should be specified in the programme leaflet so that the cardholders are apprised upfront that RM50 cashback per month is based on a first come, first served basis and not guaranteed.
   ▪ This term was not specified in ABC Bank’s Cash Back programme leaflet or advertisement.

iii) Eligible Spend Merchant Categories
   ▪ The programme leaflet stated that the utility bills were to be paid to the participating service providers. However, it did not specify that payments of utilities through agents of service providers are excluded.
   ▪ Mr X’s payment of phone bills at the agent of service fulfilled the criteria of utility payments and as such, is entitled for cashback under this category.

DECISION
Based on the findings, the Ombudsman decided that Mr X had met the qualifying spend and he was entitled to the cashback of RM50 each month, from July to December 2018.
In 2019, two cases were resolved amicably at the mediation valued at RM12,556.81. The FSPs had taken the initiative to perform chargeback on a goodwill basis and obtained a refund from the acquiring bank.

**Cash advance**

Only four cases (4%) were registered under this category. From our findings, we found that the complainants’ Personal Identification Number (PIN) was associated with their identity card number, birth date, handphone numbers or a combination of their spouse’s identity card numbers which can be easily traced by the fraudsters. In such instances, the complainant was liable for the disputed amount withdrawn by the fraudster at the ATM.

In view of the fact that many cardholders do not utilise the cash advance facility, it is recommended that cardholders are given an option to opt out of the cash advance facilities.

There were two cases valued at RM14,675.86 which were settled through mediation when the complainants acknowledged that the PIN was used by their family members to perform the transactions.

**DISPUTES RELATING TO ELECTRONIC TERMINALS**

**Dispensation of cash**

In disputes relating to non-dispensation of cash, a majority of customers left the ATM immediately after retrieving the card without waiting for the cash to be dispensed. The closed-circuit television (CCTV) camera recordings furnished by the FSPs revealed that the dispensed cash was then taken by a third party. The FSPs should trace the said customer where possible to recover the cash.

FSPs are advised to enhance the message on the ATMs to notify their customers that the withdrawal was successful and to prompt them to wait for the dispensed cash. This would reduce incidences of customers leaving the ATMs without taking the dispensed cash.

About 68% of the non and short dispensation of cash cases were amicably settled between the FSPs and the complainant valued at RM31,800. In most of the cases, the FSPs were willing to review the disputes when insufficient evidence was furnished to show that the cash was dispensed.

Thank you so much for the Ombudsman’s professional and fair adjudication. I especially want to express my heartiest gratitude for their kind assistance and good judgment. Also not forgetting the support staff who helped in expediting my dispute. Continue to use OFS mightily to bless others in need for the many more years to come.
BACKGROUND
Mr G maintains a savings account with Bank H and was issued with a debit card. Mr G withdrew the sum of RM1,500 from Bank H's automated teller machine (ATM) located at a supermarket on 2 August 2017. He contended that he had waited for some time for the cash to be dispensed at the ATM.

However, the cash and the transaction slip were not dispensed by the ATM. He did not hear the sound of the cash being counted by the said ATM. He discovered that the sum had been deducted from his savings account when he made a subsequent withdrawal at the next ATM.

INVESTIGATION AND FINDINGS
i) The Electronic Journal showed that Mr G's withdrawal was successfully executed and 30 pieces of RM50 notes totalling RM1,500 was dispensed by the said ATM.

ii) According to the records of the ATM Journal, Host Report and Engineer's Report, the ATM was functioning smoothly and there were no irregularities or cash retraction during Mr G's withdrawal.

iii) Bank H's ATMs were equipped with a retraction function where the dispensed cash would be retracted into the machines if it was not taken within 30 seconds.

iv) The cash balancing records revealed that there were no discrepancies or cash excess at the said ATM.

v) From the ATM Electronic Journal, it was observed that numerous customers had cancelled their transactions before and after the disputed withdrawal.

vi) Bank H's investigation and ATM records revealed that some of the cancellations were due to the unavailability of the denominations requested. However, Bank H was unable to explain the reasons for the rest of the cancelled transactions.

vii) It is also observed that Bank H's CCTV was not strategically positioned, and it did not capture a clear image of the complainant performing the transaction. The CCTV recording was crucial evidence to determine what had transpired during Mr G's transaction at the ATM and to identity the person who had possibly collected the dispensed cash.

SETTLEMENT
Following the Case Manager's observations, the dispute was settled amicably between the parties.
**Unauthorised ATM withdrawals**

The recurring complaints on unauthorised ATM withdrawals arose mainly from lost or stolen cards and the PIN being somehow compromised. This resulted in losses for the consumers.

Twenty cases were handled (including 14 new cases received in 2019) compared to 26 cases handled in 2018 (including 19 new cases). We closed 17 out of the 20 cases handled in 2019.

The complainants’ allegation was that FSPs did not provide a safe security system to safeguard the money deposited in their account, and that this resulted in unauthorised withdrawals. While we urge FSPs to put in place a robust system to track unusual and/or suspicious transactions, on the other hand, we also continuously advise customers to safeguard their card and PIN.

Out of the 17 cases disposed, four cases were settled valued at RM26,261.38. Four Decisions were issued in favour of the FSPs valued at RM38,008.98 and one decision was issued in favour of the complainant valued at RM12,000. The remaining eight cases were closed due to no response from the complainant after Recommendation was issued (6) and the case withdrawn by the complainant (2).

**Cash Deposit Machines (CDM)**

We received eight disputes regarding cash deposited into wrong accounts by complainants and claims on cash shortage credited into accounts. It was observed that in many instances, the depositors did not count their cash before they deposited the money into the CDM. There were also instances where the incorrect account number was entered. Consequently, depositors are advised to count their cash and ensure the correct account number is entered.

**Internet banking**

In 2019, we received a total of 63 cases out of which more than 80% were disputes arising from scams.

Under scams involving Transaction Authorisation Code (TAC), fraudsters log onto the victim’s internet banking account via illegal means, for example, stolen credentials through social engineering, victims responding to phishing emails, or victims connecting to unsecured third party websites or network such as ‘free’ WiFiIs when carrying out online banking activities, or brute force attack, etc.

The fraudster then contacts the victim on the pretext that the victim’s handphone number had been wrongly registered with the bank, resulting in a TAC being sent to the victim’s handphone. The victim is then tricked into revealing the TAC, which the fraudster uses to transfer the money from the victim’s account to a third-party account. By the time the victims realise that they had been scammed and proceed to alert the bank, the money is usually withdrawn and/or transferred out of the third-party account. In some instances, the bank was able to recover the money from the third-party account. However, in other cases, the attempt to recover the money was unsuccessful due to the delayed recovery action by the bank.

When deciding cases on scams, we consider how swift the complainant alerts the bank about the scam and how fast the bank acts on the complainant’s request to recover the funds. Disputes are usually resolved through mutual settlement if it is found that the bank had delayed in fund recovery.

The current trend which is of concern is that syndicates are transferring funds from the victims’ account through the JomPay/FPX platform to non-bank e-money schemes instead
of third party individual account holders. This makes it difficult for any recovery action as the money transferred to the individual e-wallets through the e-money platform is done in real time. As such, we urge consumers to protect their banking credentials and not fall prey to such scams. Consumers should contact the bank immediately to enable prompt recovery action.

In 2019, out of 37 cases closed (which included 7 cases brought forward from 2018), about 46% (17 cases) were resolved through mutual settlement valued at RM164,732. Recommendations accepted by the parties concerned constituted 16% of the cases valued at RM435,213. Out of eight cases that were referred for Adjudication by the Ombudsman, two decisions were held in favour of the FSPs valued at RM22,749 while the FSPs’ decisions were revised for six cases valued at RM34,572. The remaining six cases were closed due to no response by the complainant to the Recommendation.

CASE STUDY V
Scam

BACKGROUND
Mr D, a customer of Bank E, was tricked by a scammer into performing an online transfer to a third-party account at Bank E. According to Mr D, the payment was required in order to secure a high-income job. Mr D only realised that he had been scammed when he was asked to make a further payment to process the job application.

Mr D reported the scam to Bank E immediately, and he requested for the bank’s help to stop the money from being withdrawn.

INVESTIGATION AND FINDINGS
i) Mr D transferred the disputed amount from his account with Bank E to a third-party account also maintained at Bank E. The money was subsequently transferred by the third-party to a second account at another bank (Bank A) on the same day.
   - From Mr D’s account at Bank E to a third party account at Bank E: 2:52:45pm
   - From the third party account at Bank E to an account at Bank A: 2:59:21pm

ii) Upon realising the scam, Mr D immediately called Bank E at 3:39pm to alert the bank and seek help in preventing the money from being withdrawn by the scammer. However, there was no recovery action taken by Bank E until after the case was referred to the Ombudsman’s office almost seven months later.

iii) Our findings revealed that the money was withdrawn from Bank A at 9:08:18pm, whereas Mr D had already alerted Bank E earlier at 3:39pm. We are of the view that had Bank E taken immediate recovery action, the loss could have been averted.

RECOMMENDATION
A Recommendation was issued to apportion the loss equally between the parties for the following reasons:

i) Mr D had on his own volition performed the online transfer but upon discovering that he had been scammed, he had immediately alerted Bank E. The money was only withdrawn several hours later at 9:08pm.

ii) On the other hand, Bank E had failed to proceed with immediate recovery efforts upon being alerted. Bank E initiated recovery efforts almost seven months later, after the case had escalated to OFS.
DISPUTES ON LOAN ADVANCES AND ISLAMIC FINANCING

We noted the increasing trend in disputes relating to the purchase of fire insurance policies by FSPs on behalf of housing loan borrowers. The typical complaints were related to non-refund of fire insurance premiums under the following circumstances:

- Upon the full draw down of housing loans, borrowers were not notified by FSPs to submit their fire insurance policies within a specific time frame. The FSPs had then purchased the policy on the borrowers’ behalf without notifying them.
- Duplicate fire insurance coverage – Under the terms of the Letter of Offer, FSPs would arrange for the fire insurance coverage upon full draw down of the financing on behalf of the borrowers by debiting the financing account. However, for properties such as apartments, condominium and some low rise commercial buildings, it is mandatory that the Master Fire Insurance Policy covering the entire building is to be taken up by the respective Building Management of these properties. A separate Certificate of Insurance (CI) will then be issued at later date to the respective individual owners with the FSPs’ interest vested as chargee (for properties under finance). Upon presentation of the CI by the borrowers to the respective FSPs, some FSPs had refused to cancel the prearranged policies citing reasons that coverage had already been extended, or the Insurance Company of the CI issued did not fall under the FSP’s approved list.

It is recommended that FSPs should ensure that their borrowers are adequately informed in writing of the purchase of the fire insurance and evidence of these correspondence should be archived.

Under Islamic Financing, we received several cases involving the terms of flexi-home financing which were affected by the re-classification of Special Mudharabah Current Account-i (SMCA-i) to Wadiah Current Account-i (WCA-i), pursuant to Section 148 of the Islamic Financial Services Act 2013 (IFSA).

In this scenario, the FSPs had offered the Flexi-home Financing-i facility to their eligible customers. Under this financing package, the borrowers were required to open a Special Mudharabah Current Account-i (SMCA-i) which was linked to the facility account where the borrowers would enjoy profit savings on the facility if there were credit balances maintained in the SMCA-i.

Since 1 July 2015, and pursuant to Section 148 of the Islamic Financial Services Act 2013 (IFSA), the SMCA-i was required to be reclassified as an Investment Account based on the Mudharabah (deposit) concept. The customers were therefore required to indicate their acceptance by completing and returning the Acceptance Form and Suitability Assessment Form to ensure that their existing benefit on profit savings was maintained.

However, the FSPs did not clearly highlight the effect of the re-classification and as a result, customers did not respond to the request. The FSPs had accordingly converted the SMCA-i to Wadiah Current Account-i (WCA-i) which resulted in the cancellation of the benefit of profit savings.

It is best practice that FSPs adequately notify their affected customers of the effect of the reclassification of the investment account so that the customers can make an informed decision on whether to maintain the SMCA-i or otherwise.

About 73% of the cases were resolved through mutual settlement between the parties valued at RM412,522.88.
CASE STUDY VI
Loan—non-refund of fire insurance premiums

BACKGROUND
Mr A accepted Bank H’s loan facility to finance the purchase of a condominium which was under construction. He discovered recently from his savings passbook that the bank had in year 2019 debited from his savings account an amount of RM2,038.75 for fire insurance coverage.

According to the bank, a notification letter was sent to inform Mr A on the insurance coverage. Mr A contended that had he been properly notified, this dispute would have been averted. Since a master fire insurance was arranged to cover the entire condominium by the building’s Joint Management Body, Mr A averred that the Certificate of Insurance covering the required terms and conditions was in his possession and was readily available for the bank’s record.

Mr A wanted the bank to refund the fire insurance premium of RM2,038.75 which was debited from his savings account on 15 March 2019. However, the bank declined his request on grounds that Mr A did not produce the said insurance policy at that time.

INVESTIGATION AND FINDINGS
Based on the terms of the contract, Bank H was entitled to ensure that a fire insurance policy covering the property charged was in place upon full draw down of the loan. Since the bank received no insurance policy coverage from Mr A after the notification was sent, the bank had proceeded with the purchase of the fire insurance coverage for the property.

During the mediation session, Mr A had produced the disputed fire insurance certificate as evidence.

The following were highlighted to the Bank H:

i) Section 8 of the Building and Common Property (Maintenance and Management) Act 2007 requires that the Joint Management Body/Management Corporation must insure the property under a Master Fire Policy that covers all individually owned units as well as the common property.

ii) As confirmed by Persatuan Insuran Am Malaysia (PIAM), under the Strata Titles Act, it is mandatory for the Management Corporation of buildings such as apartments and condominiums to purchase fire insurance for the whole building. If an individual unit owner had obtained financing from a bank, it had been agreed that borrowers would not be required to buy another insurance policy for their unit.

iii) There was no evidence of further follow-up reminders sent by Bank H to Mr A.

SETTLEMENT
The bank took into consideration the satisfactory conduct of the loan account and the circumstances leading to the dispute. Bank H agreed to a full refund of the premium to amicably settle the dispute.
Almost 60% (27) of the cases handled on operational issues were disputes on market conduct issues, misrepresentation and inappropriate advice given to customers.

The recurring issues observed were the alleged mis-selling of insurance plans marketed as savings, fixed deposits and/or investment plans that offered better returns compared to conventional savings or fixed deposit rates. A common complaint was that the special savings, fixed deposits or investment plan purportedly came with free insurance policy, and that customers could withdraw their savings from the plan anytime without incurring charges and without losing the principal amount invested.

The customers complained that they were unaware that the money deposited were in fact payment of insurance premiums. Banks, on the other hand, maintained their stand that the sale of the bancassurance products were properly carried out and documented as per the banks’ sales process. On the contrary, we found that some banks were not able to show evidence that the product disclosure sheet (PDS) had been given to customers at the point of sales.

We strongly urge banks to maintain a checklist signed by their customers to indicate the types of documents received from the bank’s sales staff at the point of sale. We are of the view that it is pertinent that the checklist also contains the customers’ acknowledgement that they have been informed of the cooling off period should they wish to opt out. This is to avoid disputes on non-receipt of documents and not being informed of the cooling off period.

Where the sale of the bancassurance product was done face-to-face, and where it would be difficult to establish what was informed to the customer during the sales presentation, we are of the view that an independent post-sale call back review would help in assessing the customers’ comprehension of the product features and the level of understanding of the product risk(s).

It was also observed that the questions posed to customers during the post-sale call were not dynamic. The questions posed were merely a set of leading questions which suggested a particular answer, that is, either affirmative or otherwise. On this, we urge banks to review their method of questioning during post-sales calls in order to have a better assessment of the customers’ understanding of the product purchased.

"Thank you for the efficient and prompt response and follow up with my case. It's definitely appreciated. They contacted me and made an offer to resolve the issue which I had accepted."
At the same time, we urge consumers to ensure that they read and understand the product features and/or any inherent risks on the products marketed by the bank to enable them to make an informed decision. Consumers are advised to read the proposal forms thoroughly before they sign on the documents. This is because claiming ignorance is not an excuse as once the proposal forms are signed, the consumers are bound by the terms and conditions of the form.

Twenty-four out of the 27 cases that were handled were closed in 2019. About 63% (15 cases), valued at RM175,970.77, were resolved through mutual settlement at the case management stage. Recommendations by Case Managers that were issued for four cases, valued at 40,324.77, were accepted by the parties.

The remaining five cases were referred for Adjudication. Out of these, the Ombudsman upheld the FSP's decision for one case valued at RM15,208.21 and revised the FSPs' decision for four cases, valued at RM32,817.75.

“I would like to convey my deepest gratitude to your team for their tireless efforts negotiate my accident claim successfully. Your team has done a good job to make the FSP to pay the claim, although it’s not in full but something out of nothing.

Your case manager is a kind person. Humble and well spoken, she entertained each and every customer in a good manner and explained very politely. She is a suitable person employed by OFS in that position and demonstrates a good work ethic. With that I extend my heartfelt appreciation to all the staff of OFS.

“In 2019, we actively engaged with your organisation for numerous mediation sessions as a result of customers’ dissatisfaction on the Bank’s decision on unauthorised fund transfer cases particularly involving the new modus operandi (TAC/PAC SCAM) which impacted many of the financial institutions.

We would like to express our appreciation to you and your team for the support rendered to us particularly in helping all parties to resolve customers’ dispute cases amicably.
CASE STUDY VII  
Mis-selling or misrepresentation

BACKGROUND

Mr K signed up for an insurance plan through Bank M in February 2014. The monthly premium was deducted from his savings account through standing instruction for a period of 4 years. In 2018, Mr K decided to cancel the policy and claimed refund of the total insurance premium paid amounting to RM10,000.

Mr K alleged that he did not receive the copy of the insurance policy since 2014. He contended that he was only given a copy of the policy by Bank M in October 2018 during a meeting to discuss cancellation of the policy. He contended that he could exercise his rights to cancel the policy within the free look period of 15 days on delivery of policy in October 2018.

Mr K relied on the Subparagraph 2 of Schedule 8 (Section 128) of the Financial Services Act 2013 on Provision Relating to Policies which stated as follows:

2. **Objection to life policy**
   1) A policy owner may, within fifteen days or such longer period as may be specified by the bank after the delivery of a life policy of any description to him, return the life policy to the licensed life insurer and it shall immediately refund any premium which has been paid in respect of the life policy subject only to the deduction of expenses incurred for the medical examination of the life insured.
   3) For the purposes of subparagraph (1) –
      a) a life policy is deemed to be delivered to the policy owner on the date he received it, if personally delivered;
      b) where a life policy is delivered to the policy owner in such manner other than by personal delivery, the licensed life insurer shall take reasonable steps to ensure that the life policy is delivered to the policy owner.

Bank M rejected the claim on the grounds that the policy was issued and personally delivered to him in February 2014.

INVESTIGATION AND FINDINGS

i) Based on documentary evidence furnished, the proposal for the insurance plan was submitted by Mr K in February 2014. The plan was approved on the same day without requirement for underwriting by the insurance company.

ii) Upon approval of the plan and receipt of the initial premium deposited, the policy documents were printed by Bank M and given to Mr K on the same day. Documentary evidence revealed that Mr K had acknowledged receipt of the policy documents in February 2014.

iii) Pursuant to subparagraph 2 (4) of Schedule 8 (Section 128) of the Financial Services Act 2013, a life policy is deemed to be delivered to the policy owner on the date he received it, if personally delivered.

DECISION

The Ombudsman held that as the policy was delivered to Mr K in February 2014, the free look period is no longer applicable and therefore Mr K cannot exercise his rights to return the policy within 15 days from receipt of the policy in October 2018 and seek refund of the premium paid.

Nonetheless, Mr K is entitled to receive the surrender value on cancellation of the policy. The Ombudsman noted that Bank M had agreed to top up additional amount of RM450 to the surrender value of RM7,050 and the total sum payable of RM7,500 represented 75% of the total premium.

The Ombudsman was of the view that Bank M’s offer was fair and reasonable, and awarded the sum of RM7,500 to Mr K.
DISPOSAL OF DISPUTES

The total number of banking and payment systems cases resolved under the Case Management stage and the Adjudication stage was 271 cases, of which 207 (76%) were resolved at Case Management stage and 64 cases (24%) were resolved at the Adjudication stage.

### Chart B7: Disposal of disputes (by stage) (2019)

- **24%** Cases resolved at Adjudication
- **76%** Cases resolved at Case Management

### Chart B8: Manner of disposal (overall) (2019)

- **49%** Settlement
- **14%** Ombudsman upheld FSP’s decision
- **6%** No response or withdrawn or excluded by OFS
- **13%** No response after Recommendation
- **9%** Recommendation rejected but not referred to Ombudsman
- **2%** Recommendation accepted by the complainants
- **3%** Recommendation rejected but not referred to Ombudsman
- **9%** Recommendation rejected by complainants but not referred to the Ombudsman

Out of 271 disputes disposed, 134 (49%) were settled amicably, 59 were closed after Recommendations were issued and 63 disputes were adjudicated.

### CASE MANAGEMENT STAGE

**Settlement**

A total of 207 cases were resolved at Case Management stage of which 133 cases (64%) were settled amicably through negotiated settlement facilitated by the Case Managers.

**Recommendations**

In 2019, 19 Recommendations were accepted by the complainants and FSPs, and 34 cases were closed due to no response from the complainants 30 days after Recommendations were issued. Six Recommendations were rejected by complainants but were not referred to the Ombudsman.

A total of 64 Recommendations were rejected by complainants and referred to the Ombudsman for Adjudication.

### Others

Eleven cases were withdrawn as the consumers were satisfied with the findings and explanation given by OFS. The remaining four cases were closed due to no response from the complainants.
Fifty-seven cases were referred to the Ombudsman in 2019. A total of 65 cases were handled (including eight cases carried forward from 2018). Sixty-four cases were resolved leaving one case brought forward to 2020, of which 63 Decisions were issued in favour of the FSPs, 24 cases were decided in favour of the complainants, and one case was settled.

### TURNAROUND TIME FOR DISPOSAL OF DISPUTES

| Table B3: Analysis on time taken to dispose disputes (2019) (from the case registration date) |
|-------------------------------------------------|---------------|---------------|
| Cases closed within 3 months                   | 18%           | 24%           |
| Cases closed between 3 and 6 months            | 27%           | 43%           |
| Cases closed after more than 6 months          | 55%           | 33%           |

Out of 271 cases resolved in 2019, 67% were resolved within six months from the registration of cases while 33% were resolved beyond six months. The cases that took more than six months was attributed to the complexity of the various issues in the dispute and the time taken by the parties to arrive at a settlement. There was an improvement in the number of cases resolved within six months compared to 2018 (45%) which can be attributed to the concerted efforts of the team.

### DISPUTES OUTSTANDING

A total of 153 cases remained outstanding under the banking sector in 2019, of which 140 cases (91%) fell within six months from registration and 13 cases (9%) were outstanding beyond six months.

We are making continuous efforts to improve the efficiency and timeliness in the resolution of these cases.
LIST OF MEMBERS

83 Members of OFS
as at 31 December 2019
# LIST OF MEMBERS

## MEMBERS OF OFS AS AT 31 DECEMBER 2019

### COMMERCIAL BANKS (26)

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<tr>
<th>No.</th>
<th>Bank Name</th>
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<td>Affin Bank Berhad</td>
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<td>2.</td>
<td>Alliance Bank Malaysia Berhad</td>
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<td>3.</td>
<td>AmBank (M) Berhad</td>
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<td>Bangkok Bank Berhad</td>
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<td>Industrial and Commercial Bank of China</td>
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<td>Mizuho Bank (Malaysia) Berhad</td>
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<td>The Bank of Nova Scotia Berhad</td>
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<td>United Overseas Bank (Malaysia) Berhad</td>
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### ISLAMIC BANKS (17)

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<td>37.</td>
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<td>MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad)</td>
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<td>39.</td>
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</tr>
<tr>
<td>41.</td>
<td>Public Islamic Bank Berhad</td>
</tr>
<tr>
<td>42.</td>
<td>RHB Islamic Bank Berhad</td>
</tr>
<tr>
<td>43.</td>
<td>Standard Chartered Saadiq Berhad</td>
</tr>
</tbody>
</table>

### DEVELOPMENT FINANCIAL INSTITUTIONS (6)

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>44.</td>
<td>Bank Pembangunan Malaysia Berhad</td>
</tr>
<tr>
<td>45.</td>
<td>Bank Pertanian Malaysia Berhad (Agrobank)</td>
</tr>
<tr>
<td>46.</td>
<td>Bank Rakyat</td>
</tr>
<tr>
<td>47.</td>
<td>Bank Simpanan Nasional</td>
</tr>
<tr>
<td>48.</td>
<td>Export-Import Bank of Malaysia Berhad</td>
</tr>
<tr>
<td>49.</td>
<td>Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)</td>
</tr>
</tbody>
</table>
**LIFE INSURANCE COMPANIES (14)**

| 50. | AIA Berhad |
| 51. | Allianz Life Insurance Malaysia Berhad |
| 52. | AmMetLife Insurance Berhad |
| 53. | AXA Affin Life Insurance Berhad |
| 54. | Etiqa Life Insurance Berhad |
| 55. | Gibraltar MSIG Life Berhad |
| 56. | Great Eastern Life Assurance (Malaysia) Berhad |
| 57. | Hong Leong Assurance Berhad |
| 58. | Manulife Insurance Berhad |
| 59. | MCIS Insurance Berhad |
| 60. | Prudential Assurance Malaysia Berhad |
| 61. | Sun Life Malaysia Assurance Berhad |
| 62. | Tokio Marine Life Insurance Malaysia Berhad |
| 63. | Zurich Life Insurance Malaysia Berhad (formerly known as Zurich Insurance Malaysia Berhad) |

**GENERAL INSURANCE COMPANIES (21)**

| 64. | AIA General Berhad |
| 65. | AIG Malaysia Insurance Berhad |
| 66. | Allianz General Insurance Company (Malaysia) Berhad |
| 67. | AmGeneral Insurance Berhad |
| 68. | AXA Affin General Insurance Berhad |
| 69. | Berjaya Sompo Insurance Berhad |
| 70. | Chubb Insurance Malaysia Berhad |
| 71. | Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) |
| 72. | Great Eastern General Insurance (Malaysia) Berhad [formerly known as Overseas Assurance Corporation (Malaysia) Berhad] |
| 73. | Liberty Insurance Berhad |
| 74. | Lonpac Insurance Berhad |
| 75. | MPI Generali Insurans Berhad |
| 76. | MSIG Insurance (Malaysia) Berhad |
| 77. | Pacific & Orient Insurance Co. Berhad |
| 78. | Progressive Insurance Berhad |
| 79. | QBE Insurance (Malaysia) Berhad |
| 80. | RHB Insurance Berhad |
| 81. | The Pacific Insurance Berhad |
| 82. | Tokio Marine Insurans (Malaysia) Berhad |
| 83. | Tune Insurance Malaysia Berhad |
| 84. | Zurich General Insurance Malaysia Berhad |

**TAKAFUL OPERATORS (15)**

| 85. | AIA PUBLIC Takaful Berhad |
| 86. | AmMetLife Takaful Berhad |
| 87. | Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) |
| 88. | Etiqa General Takaful Berhad |
| 89. | FWD Takaful Berhad (formerly known as HSBC Amanah Takaful (Malaysia) Berhad) |
| 90. | Great Eastern Takaful Berhad |
| 91. | Hong Leong MSIG Takaful Berhad |
| 92. | Prudential BSN Takaful Berhad |
| 93. | Sun Life Malaysia Takaful Berhad |
| 94. | Syarikat Takaful Malaysia Am Berhad |
| 95. | Syarikat Takaful Malaysia Keluarga Berhad (formerly known as Syarikat Takaful Malaysia Berhad) |
| 96. | Takaful Ikhlas Family Berhad (formerly known as Takaful Ikhlas Berhad) |
| 97. | Takaful Ikhlas General Berhad |
| 98. | Zurich General Takaful Malaysia Berhad |
| 99. | Zurich Takaful Malaysia Berhad |
### E-MONEY ISSUERS (43)

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>AEON Credit Service (M) Berhad</td>
<td>(*also in Credit Card Issuer)</td>
</tr>
<tr>
<td>101</td>
<td>Alipay Malaysia Sdn. Bhd. (formerly known as helloPay Malaysia Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>102</td>
<td>Airpay Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>104</td>
<td>Bandar Utama City Centre Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>105</td>
<td>BigPay Malaysia Sdn. Bhd. (formerly known as TPaaY Asia Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>106</td>
<td>Celcom eCommerce Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>107</td>
<td>Chevron Malaysia Limited</td>
<td>(*also in Charge Card Issuer)</td>
</tr>
<tr>
<td>108</td>
<td>DIV Services Sdn. Bhd. (formerly known as ePetrol Services Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>110</td>
<td>Finexus Cards Sdn Bhd (formerly known as MAA Cards Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>111</td>
<td>Fullrich Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>112</td>
<td>Google Payment Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>113</td>
<td>GPay Network (M) Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>114</td>
<td>Gkash Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>119</td>
<td>KiplePay Sdn. Bhd. (formerly known as Webonline Dot Com Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>120</td>
<td>ManagePay Services Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>121</td>
<td>Maxis Broadband Sdn. Bhd. (formerly known as Maxis Mobile Services Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>122</td>
<td>Manutchare Asia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>124</td>
<td>MobilityOne Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>126</td>
<td>Mruncit Commerce Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>127</td>
<td>MY E.G. Alternative Payment Services Sdn Bhd</td>
<td></td>
</tr>
<tr>
<td>128</td>
<td>Numoni DFS Sdn. Bhd. (formerly known as Com2U Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>129</td>
<td>PayPal Pte. Ltd.</td>
<td></td>
</tr>
<tr>
<td>130</td>
<td>Petron Fuel International Sdn. Bhd.</td>
<td>(*also in Charge Card Issuer)</td>
</tr>
<tr>
<td>131</td>
<td>Presto Pay Sdn. Bhd. (formerly known as EPP Solution Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>132</td>
<td>qBayar Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>133</td>
<td>Raffcomm Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>134</td>
<td>Shell Malaysia Trading Sdn. Bhd.</td>
<td>(*also in Charge Card Issuer)</td>
</tr>
<tr>
<td>137</td>
<td>TNG Digital Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>139</td>
<td>U Mobile Services Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>140</td>
<td>Valyou Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>141</td>
<td>WeChat Pay Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>142</td>
<td>XOX Com Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>143</td>
<td>Paydee Sdn. Bhd. (formerly known as Synergy Cards Sdn. Bhd.)</td>
<td></td>
</tr>
<tr>
<td>145</td>
<td>Petronas Dagangan Berhad</td>
<td></td>
</tr>
<tr>
<td>146</td>
<td>Radius Fuel Cards Sdn. Bhd.</td>
<td></td>
</tr>
</tbody>
</table>

### CREDIT CARD ISSUERS (1)

- Paydee Sdn. Bhd. (formerly known as Synergy Cards Sdn. Bhd.)

### CHARGE CARD ISSUERS (3)

- Petronas Dagangan Berhad
- Radius Fuel Cards Sdn. Bhd.
152. CIMB Howden Insurance Brokers Sdn. Bhd.
168. SP&G Insurance Brokers Sdn. Bhd.
175. Marsh Takaful Brokers (Malaysia) Sdn. Bhd.
177. Advance Fin Advisory Sdn. Bhd.
182. CC Advisory Sdn. Bhd.
184. ECL Advisory Sdn. Bhd.
186. FA Advisory Sdn. Bhd.
188. Finwealth Management Sdn. Bhd.
189. FZM Wealth Advisory Sdn. Bhd.
193. iFAST Capital Sdn. Bhd.
197. Kenanga Investors Berhad
204. Steadfast Advisory (Malaysia) Sdn. Bhd.
DIRECTORS’ REPORT AND AUDITED FINANCIAL STATEMENTS

88 Corporate Information

89 Directors’ Report

92 Statement by Directors and Statutory Declaration

93 Independent Auditors’ Report

97 Statement of Financial Position

98 Statement of Profit or Loss and Other Comprehensive Income

99 Statement of Changes in Equity

100 Statement of Cash Flows

102 Notes to the Financial Statements
CORPORATE INFORMATION

OMBSDMAN FOR FINANCIAL SERVICES
(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

DIRECTORS
Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)
Tan Sri Dato' Sri Tay Ah Lek (Deputy Chairman)
Tan Sri Dato' Sri Zaleha Binti Zahari
Datin Veronica Selvanayagy A/P S Mudiappu
Prof. Datuk Dr Marimuthu A/L Nadason
Ong Chong Hye
Mohd Radzuan Bin Ab Halim
Antony Fook Weng Lee
Lee Eng Huat
Kalpana A/P Sambasivamurthy

CHIEF EXECUTIVE OFFICER
Marina Binti Baharuddin (appointed on 1 January 2020)
Shahariah Binti Othman (resigned on 31 December 2019)

OMBUDSMAN
Kalyana Kumar A/L Sockalingam
Intan Khadiza Binti Mohamad Amin
(appointed on 1 January 2020)
Marina Binti Baharuddin
(appointed as CEO on 1 January 2020)

SECRETARIES
Won Swee Hwan
Jasni Bin Abdul Jalil

REGISTERED OFFICE/
PRINCIPAL PLACE OF BUSINESS
Level 14, Main Block
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur

AUDITORS
Grant Thornton Malaysia
(Member Firm of Grant Thornton International Ltd.)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
DIRECTORS’ REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of Ombudsman for Financial Services ("OFS") for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

RESULTS

<table>
<thead>
<tr>
<th></th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus for the financial year</td>
<td>368,964</td>
</tr>
</tbody>
</table>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)
Tan Sri Dato’ Sri Tay Ah Lek (Deputy Chairman)
Tan Sri Dato’ Sri Zaleha Binti Zahari
Datin Veronica Selvanayagy A/P S Mudiappu
Prof. Datuk Dr Marimuthu A/L Nadason
Ong Chong Hye
Mohd Radzuan Bin Ab Halim
Antony Fook Weng Lee
Lee Eng Huat
Kalpana A/P Sambasivamurthy
DIRECTORS’ BENEFITS

During and at the end of the financial year, no arrangements subsisted to which OFS is a party, with the object or objects of enabling the Directors of OFS to acquire benefits by means of the acquisition of interests in OFS or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 11 and 13 to the Financial Statements) by reason of a contract made by OFS with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and insurance premium paid for the Directors and officers of the OFS during the financial year are disclosed in Note 11 to the Financial Statements.

OTHER STATUTORY INFORMATION

Before the financial statements of OFS were made out, the Directors took reasonable steps:

a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and no provision for doubtful debts was required; and

b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of OFS have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

a) which would render it necessary to make any provision for doubtful debts in the financial statements of OFS or the amount written off for bad debts inadequate to any substantial extent; or

b) which would render the values attributed to current assets in the financial statements of OFS misleading; or

c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of OFS misleading or inappropriate; or

d) not otherwise dealt with this report of the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

a) any charge on the assets of OFS which has arisen since the end of the financial year which secures the liability of any other person; or

b) any contingent liability of OFS which has arisen since the end of the financial year.
OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:

a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of OFS to meet its obligations as and when they fall due;

b) the results of OFS's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of OFS for the current financial year in which this report is made.

AUDITORS

Details of Auditors’ remuneration are set out in Note 11 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

TAN SRI DATUK SERI (DR) FOONG CHENG YUEN

TAN SRI DATO’ SRI TAY AH LEK

DIRECTORS

Kuala Lumpur
17 March 2020
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 12 to 39 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of OFS as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

TAN SRI DATUK SERI (DR) FOONG CHENG YUEN

TAN SRI DATO’ SRI TAY AH LEK

Kuala Lumpur
17 March 2020

STATUTORY DECLARATION

I, Marina Binti Baharuddin, being the officer primarily responsible for the financial management of Ombudsman for Financial Services do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 39 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory this day of
17 March 2020

MARINA BINTI BAHARUDDIN

Before me:
Commissioner for Oaths
INDEPENDENT AUDITORS’ REPORT

TO THE MEMBERS OF
OMBUDSMAN FOR FINANCIAL SERVICES
(Incorporated in Malaysia as a company
limited by guarantee and not having a share capital)
Company No: 200401025885 (664393 P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ombudsman for Financial Services, which comprise the statement of financial position as at 31 December 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of OFS in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT’D)

Information other than the Financial Statements and Auditors’ Report Thereon

The Directors of OFS are responsible for the other information. The other information comprise the Directors’ Report but does not include the financial statements of OFS and our auditors’ report thereon.

Our opinion on the financial statements of OFS does not cover the Directors’ Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of OFS, our responsibility is to read the Directors’ Report and, in doing so, consider whether the Directors’ Report is materially inconsistent with the financial statements of OFS or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors’ Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of OFS are responsible for the preparation of financial statements of OFS that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of OFS that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of OFS, the Directors are responsible for assessing OFS’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate OFS or to cease operations, or have no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of OFS as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT’D)

Auditors’ Responsibilities for the Audit of the Financial Statements (cont’d)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of OFS, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFS’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OFS’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements of OFS or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause OFS to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of OFS, including the disclosures, and whether the financial statements of OFS represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
**Other Matters**

This report is made solely to the members of OFS, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**GRANT THORNTON MALAYSIA PLT**
(NO: 201906003682 & AF: 0737)
CHARTERED ACCOUNTANTS

**DATO’ N. K. JASANI**
(NO: 00708/03/2020 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
17 March 2020
# STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4</td>
<td>558,684</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>5</td>
<td>1,608,085</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>2,166,769</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>6</td>
<td>388,300</td>
</tr>
<tr>
<td>Other receivables</td>
<td>7</td>
<td>267,189</td>
</tr>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td></td>
<td>1,630,525</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td></td>
<td>707,256</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>2,993,270</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>5,160,039</td>
</tr>
</tbody>
</table>

| **MEMBERS’ FUNDS AND LIABILITIES** | | |
| Members’ funds | | |
| Balance as at 1 January | | 3,061,014 | 2,111,112 |
| Net surplus for the financial year | | 368,964 | 949,902 |
| Balance as at 31 December | | 3,429,978 | 3,061,014 |

| **LIABILITIES** | | |
| Non-current liabilities | | |
| Lease liabilities | 5 | 818,972 | - |
| Current liabilities | | |
| Other payables | 8 | 87,455 | 72,392 |
| Tax payable | | 26,497 | 32,573 |
| Lease liabilities | 5 | 797,137 | - |
| **Total current liabilities** | | 911,089 | 104,965 |
| **Total liabilities** | | 1,730,061 | 104,965 |
| **Total members’ funds and liabilities** | | 5,160,039 | 3,165,979 |

The accompanying notes form an integral part of the financial statements.
### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>9</td>
<td>RM 7,816,500</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>RM 2,460</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
<td>RM 41,905</td>
</tr>
<tr>
<td>Staff costs</td>
<td>10</td>
<td>RM (4,962,506)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>RM (363,116)</td>
</tr>
<tr>
<td>Finance cost</td>
<td></td>
<td>RM (16,746)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>RM (2,123,356)</td>
</tr>
<tr>
<td>Surplus before tax</td>
<td>11</td>
<td>RM 395,141</td>
</tr>
<tr>
<td>Tax expense</td>
<td>12</td>
<td>RM (26,177)</td>
</tr>
<tr>
<td>Net surplus/total comprehensive surplus for the financial year</td>
<td></td>
<td>RM 368,964</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
# STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th>Members' Funds/ Total RM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at 1 January 2018</td>
</tr>
<tr>
<td></td>
<td>Total comprehensive surplus for the financial year</td>
</tr>
<tr>
<td></td>
<td>Balance at 31 December 2018</td>
</tr>
<tr>
<td></td>
<td>Total comprehensive surplus for the financial year</td>
</tr>
<tr>
<td></td>
<td>Balance at 31 December 2019</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
# STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus before tax</td>
<td>395,141</td>
<td>984,799</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>293,199</td>
<td>138,526</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>69,917</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(2,460)</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>(41,905)</td>
<td>(18,614)</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>16,746</td>
<td>-</td>
</tr>
<tr>
<td><strong>Surplus before working capital changes</strong></td>
<td>731,638</td>
<td>1,104,711</td>
</tr>
<tr>
<td><strong>Changes in working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(53,094)</td>
<td>(138,616)</td>
</tr>
<tr>
<td>Payables</td>
<td>15,063</td>
<td>27,415</td>
</tr>
<tr>
<td><strong>Net cash generated from operations</strong></td>
<td>693,607</td>
<td>993,510</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(32,253)</td>
<td>(2,520)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>661,354</td>
<td>990,990</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>2,460</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(573,813)</td>
<td>(35,445)</td>
</tr>
<tr>
<td>Interest received</td>
<td>41,905</td>
<td>18,614</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(529,448)</td>
<td>(16,831)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid on lease liabilities</td>
<td>(16,746)</td>
<td>-</td>
</tr>
<tr>
<td>Net lease liabilities</td>
<td>(61,893)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>(78,639)</td>
<td>-</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT’D)

<table>
<thead>
<tr>
<th>Note</th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes</td>
<td>53,267</td>
<td>974,159</td>
</tr>
<tr>
<td>At beginning of financial year</td>
<td>2,284,514</td>
<td>1,310,355</td>
</tr>
<tr>
<td>At end of financial year</td>
<td>2,337,781</td>
<td>2,284,514</td>
</tr>
</tbody>
</table>

NOTE TO THE STATEMENT OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:-

<table>
<thead>
<tr>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td>1,630,525</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>707,256</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,337,781</strong></td>
</tr>
</tbody>
</table>

The effective interest rates for fixed deposits with a licensed bank range from 2.95% to 3.25% (2018: 2.95% to 3.20%) per annum.

The accompanying notes form an integral part of the financial statements.
1. GENERAL INFORMATION

OFS is a limited guarantee company and not having a share capital, incorporated and domiciled in Malaysia. The registered office and principal place of business of OFS is located at Level 14, Main Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year. The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors on 17 March 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of OFS have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of OFS are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is OFS's functional currency and all values are rounded to the nearest RM, unless otherwise stated.
2. BASIS OF PREPARATION (CONT’D)

2.4 Adoption of new standards/amendments/improvements to MFRSs

OFS has consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, OFS adopted new standards/amendments/improvements to MFRSs which are mandatory for the current financial year.

Initial application of the new standards/amendments/improvements to the standards did not have material impact to the financial statements.

2.5 Standards issued but not yet effective

OFS has not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for OFS:

Amendments to MFRS and IC Interpretation effective 1 January 2020:

- Amendments to MFRS 3* Business Combinations
- Amendments to MFRS 7, 9 and 139 Interest Rate Benchmark Reform
- Amendments to MFRS 101 Presentation of Financial Statements
- Amendments to MFRS 108 Accounting Policies, Changes in accounting Estimates and Errors

Amendments to References to the Conceptual Framework in MFRS Standards

MFRS effective 1 January 2021:

- MFRS 17* Insurance Contracts

Amendments to MFRS (deferred effective date to be announced by the MASB):

- Amendments to MFRS 10 and 128* Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* Not applicable to the OFS’s operations

The initial application of the above standards and amendments are not expected to have any financial impacts to the financial statements.
2. **BASIS OF PREPARATION (CONT’D)**

2.6 **Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of OFS’s accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 **Estimation uncertainty**

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Useful lives of depreciable assets**

Management estimates the useful lives of the property, plant and equipment to be within 3 to 10 years and reviews the useful lives of depreciable assets at the end of each reporting year. At 31 December 2019, management assesses that the useful lives represent the expected utility of the assets to OFS. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to OFS assets.

**Provision for expected credit losses (“ECL”) of trade receivables**

OFS uses a provision of matrix to calculate ECL for trade receivables. The provision rates are based on past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on OFS historical observed default rates. OFS will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. OFS’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECL on OFS trade receivables is disclosed in Note 15.1 (a) to the Financial Statements.

OFS did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.
2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Income taxes

Significant judgement is involved in determining OFS's provision for income taxes. There are certain transaction and computations for which the ultimate tax determination is uncertain during the ordinary course of business. OFS recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to OFS's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Leases - estimating the incremental borrowing rate

OFS cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that OFS would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what OFS 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. OFS estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.
3. SIGNIFICANT ACCOUNTING POLICIES

OFS applies the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements.

3.1 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to OFS and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets.

The annual depreciation rates used are as follows:-

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers</td>
<td>33 1/3%</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>20%</td>
</tr>
<tr>
<td>Equipment</td>
<td>20%</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>10%</td>
</tr>
<tr>
<td>Renovation</td>
<td>10%</td>
</tr>
<tr>
<td>Books</td>
<td>10%</td>
</tr>
</tbody>
</table>

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposals of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.2 Financial instruments

3.2.1 Initial recognition and measurement
Financial assets and financial liabilities are recognised when OFS becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

3.2.2 Classification and initial measurement of financial assets
Financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the years presented, OFS does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:
- OFS’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

At the reporting date, OFS carries only financial assets measured at amortised cost on its statement of financial position.

3.2.3 Financial assets - subsequent measurement
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding
3. **SIGNIFICANT ACCOUNTING POLICIES (CONT’D)**

3.2  **Financial instruments (cont’d)**

3.2.3  **Financial assets - subsequent measurement (cont’d)**

Financial assets at amortised cost (cont’d)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. OFS’s trade and other receivables and cash and cash equivalents fall into this category of financial instruments.

3.2.4  **Financial assets - impairment**

MFRS 9’s impairment requirements use more forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on OFS first identifying a credit loss event. Instead OFS considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.2 Financial instruments (cont’d)

3.2.4 Financial assets – impairment (cont’d)

Trade receivables
OFS makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, OFS uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

OFS assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduces directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of an asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

3.2.5 Financial liabilities – classification and measurement

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the OFS designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method which are carried subsequently at fair value with gains or losses recognised in profit or loss.

OFS’s financial liabilities include other payables only.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.3 Impairment non-financial assets

At each reporting date, OFS reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

An impairment loss is recognised as an expense in the profit or loss immediately.

An assessment is made at each end of the reporting year as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the last impairment loss was recognised. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.5 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. OFS recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.5 Revenue from contracts with customers (cont’d)
OFS transfers control of a service at a point in time unless one of the following overtime criteria is met:
   a) the customer simultaneously receives and consumes the benefits provided as OFS performs;
   b) OFS’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
   c) OFS’s performance does not create an asset with an alternative use and OFS has an enforceable right to payment for performance completed to date.

3.5.1 Interest income
Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.6 Employees benefits

3.6.1 Short term employees benefits
Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of OFS. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3.6.2 Defined contribution plans
Defined contribution plans are post-employment benefit plans under which OFS pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceeding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.7 Leases

Accounting policies applied from 1 January 2019

OFS has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated i.e it is presented as previously reported under MFRS 117, lease and related interpretations.

OFS assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.7.1 As lessee

OFS applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. OFS recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.7.1.1 Right-of-use assets

OFS recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Rental of premises: 2 years

If ownership of the lease asset transfers to OFS at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as detailed in Note 3.3 to the Financial Statements.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.7 Leases (cont’d)
Accounting policies applied from 1 January 2019 (cont’d)

3.7.1 As lessee (cont’d)

3.7.1.2 Lease liabilities
At the commencement date of the lease, OFS recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by OFS and payments of penalties for terminating the lease, if the lease term reflects OFS exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, OFS uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.7.1.3 Short-term lease and lease of low-value assets
OFS applies the short-term lease recognition exemption to its short-term lease. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

Accounting policies applied until 31 December 2018
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.7 Leases (cont’d)

3.7.2 Operating leases
Leases, where OFS does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

3.8 Tax expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

3.8.1 Current tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.8.2 Deferred tax
Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
## 4. PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th>Cost</th>
<th>Computers</th>
<th>Motor vehicles</th>
<th>Equipment</th>
<th>Furniture and fittings</th>
<th>Renovation</th>
<th>Books</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>567,125</td>
<td>248,163</td>
<td>308,648</td>
<td>682,720</td>
<td>611,178</td>
<td>150,000</td>
<td>2,567,834</td>
</tr>
<tr>
<td>Additions</td>
<td>14,556</td>
<td>-</td>
<td>18,339</td>
<td>2,550</td>
<td>-</td>
<td>-</td>
<td>35,445</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>581,681</td>
<td>248,163</td>
<td>326,987</td>
<td>685,270</td>
<td>611,178</td>
<td>150,000</td>
<td>2,603,279</td>
</tr>
<tr>
<td>Additions</td>
<td>481,435</td>
<td>82,471</td>
<td>2,487</td>
<td>7,420</td>
<td>-</td>
<td>-</td>
<td>573,813</td>
</tr>
<tr>
<td>Disposal</td>
<td>(50,375)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(50,375)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>1,012,741</td>
<td>330,634</td>
<td>329,474</td>
<td>692,690</td>
<td>611,178</td>
<td>150,000</td>
<td>3,126,717</td>
</tr>
</tbody>
</table>

### Accumulated depreciation

<table>
<thead>
<tr>
<th>Cost</th>
<th>Computers</th>
<th>Motor vehicles</th>
<th>Equipment</th>
<th>Furniture and fittings</th>
<th>Renovation</th>
<th>Books</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>566,181</td>
<td>49,633</td>
<td>276,966</td>
<td>591,777</td>
<td>552,126</td>
<td>150,000</td>
<td>2,186,683</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>5,795</td>
<td>49,633</td>
<td>14,950</td>
<td>35,986</td>
<td>32,162</td>
<td>-</td>
<td>138,526</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>571,976</td>
<td>99,266</td>
<td>291,916</td>
<td>627,763</td>
<td>584,288</td>
<td>150,000</td>
<td>2,325,209</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>169,866</td>
<td>66,127</td>
<td>12,373</td>
<td>28,833</td>
<td>18,000</td>
<td>-</td>
<td>293,199</td>
</tr>
<tr>
<td>Disposal</td>
<td>(50,375)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(50,375)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>691,467</td>
<td>165,393</td>
<td>304,289</td>
<td>654,596</td>
<td>602,288</td>
<td>150,000</td>
<td>2,568,033</td>
</tr>
</tbody>
</table>

### Net carrying amount

<table>
<thead>
<tr>
<th>Cost</th>
<th>Computers</th>
<th>Motor vehicles</th>
<th>Equipment</th>
<th>Furniture and fittings</th>
<th>Renovation</th>
<th>Books</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2019</td>
<td>321,274</td>
<td>165,241</td>
<td>25,185</td>
<td>38,094</td>
<td>8,890</td>
<td>-</td>
<td>558,684</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>9,705</td>
<td>148,897</td>
<td>35,071</td>
<td>57,507</td>
<td>26,890</td>
<td>-</td>
<td>278,070</td>
</tr>
</tbody>
</table>
5. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

OFS has lease contracts for premises used in its operations. Leases of premises generally have lease terms 2 years. There are no lease contracts that include extension, termination options and variable lease payments.

**Right-of-use assets**

Set out below is the carrying amount of right-of-use assets recognised and the movement during the year:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January</td>
<td>-</td>
</tr>
<tr>
<td>Addition</td>
<td>1,678,002</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(69,917)</td>
</tr>
<tr>
<td>As at 31 December</td>
<td>1,608,085</td>
</tr>
</tbody>
</table>

**Lease liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
</tr>
<tr>
<td>- less than 1 year</td>
<td>797,137</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
</tr>
<tr>
<td>- more than 1 year but less than 5 years</td>
<td>818,972</td>
</tr>
<tr>
<td>As at 31 December</td>
<td>1,616,109</td>
</tr>
</tbody>
</table>

The lease liabilities bear interest rate of 5% per annum.

Set out below is the carrying amount of lease liabilities and the movement during the year:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January</td>
<td>-</td>
</tr>
<tr>
<td>Addition</td>
<td>1,678,002</td>
</tr>
<tr>
<td>Accretion of interest</td>
<td>16,746</td>
</tr>
<tr>
<td>Payments</td>
<td>(78,639)</td>
</tr>
<tr>
<td>As at 31 December</td>
<td>1,616,109</td>
</tr>
</tbody>
</table>
5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

Lease liabilities (cont'd)

The following are the amounts recognised in profit or loss:-

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>69,917</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>16,746</td>
<td>-</td>
</tr>
<tr>
<td>Expenses relating to short-term leases</td>
<td>814,730</td>
<td>-</td>
</tr>
<tr>
<td>Expenses relating to low value assets</td>
<td>9,710</td>
<td>-</td>
</tr>
<tr>
<td>Rental expenses in accordance with MFRS 117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Office rental</td>
<td>-</td>
<td>888,797</td>
</tr>
<tr>
<td>- Rental of equipments</td>
<td>-</td>
<td>9,720</td>
</tr>
</tbody>
</table>

6. TRADE RECEIVABLES

OFS's normal trade credit terms is 30 days (2018: 30 days).

The trade receivables are amounts due from members for levy income and case fee which are interest-free, unsecured and repayable on demand.

7. OTHER RECEIVABLES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>9,374</td>
<td>3,221</td>
</tr>
<tr>
<td>Deposits</td>
<td>98,368</td>
<td>123,796</td>
</tr>
<tr>
<td>Prepayments</td>
<td>154,017</td>
<td>60,230</td>
</tr>
<tr>
<td>GST receivable</td>
<td>5,430</td>
<td>11,398</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>267,189</td>
<td>198,645</td>
</tr>
</tbody>
</table>

8. OTHER PAYABLES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>87,455</td>
<td>72,392</td>
</tr>
</tbody>
</table>
9. **REVENUE**

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy income</td>
<td>6,270,000</td>
<td>6,501,000</td>
</tr>
<tr>
<td>Case fee</td>
<td>1,546,500</td>
<td>1,131,000</td>
</tr>
<tr>
<td></td>
<td><strong>7,816,500</strong></td>
<td><strong>7,632,000</strong></td>
</tr>
</tbody>
</table>

For levy income, the performance obligations are satisfied over time. For case fee, the performance obligations are satisfied at a point in time.

The payment terms are disclosed in Note 6 to the Financial Statements.

10. **STAFF COSTS**

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and bonus</td>
<td>3,910,385</td>
<td>3,508,698</td>
</tr>
<tr>
<td>Employees Provident Fund</td>
<td>497,447</td>
<td>456,461</td>
</tr>
<tr>
<td>Social security contributions</td>
<td>30,380</td>
<td>27,363</td>
</tr>
<tr>
<td>Other benefits</td>
<td>524,294</td>
<td>439,166</td>
</tr>
<tr>
<td></td>
<td><strong>4,962,506</strong></td>
<td><strong>4,431,688</strong></td>
</tr>
</tbody>
</table>

11. **SURPLUS BEFORE TAX**

Surplus before tax is stated after charging amongst others, the following items:

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fee</td>
<td>12,500</td>
<td>12,500</td>
</tr>
<tr>
<td>Directors’ emoluments</td>
<td>124,800</td>
<td>185,119</td>
</tr>
<tr>
<td>Indemnity and insurance for Directors</td>
<td>30,713</td>
<td>30,000</td>
</tr>
</tbody>
</table>
12. TAX EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current year</td>
<td>28,597</td>
<td>32,573</td>
</tr>
<tr>
<td>(Over)/underprovision in prior year</td>
<td>(2,420)</td>
<td>2,324</td>
</tr>
<tr>
<td></td>
<td>26,177</td>
<td>34,897</td>
</tr>
</tbody>
</table>

Malaysian income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation of income tax expense applicable to surplus before tax at the statutory income tax rate to the effective rate of OFS is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus before tax</td>
<td>395,141</td>
<td>984,799</td>
</tr>
<tr>
<td>At Malaysian statutory tax rate of 24% (2018: 24%)</td>
<td>94,834</td>
<td>236,352</td>
</tr>
<tr>
<td>Tax effect in respect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-allowable expenses</td>
<td>71,580</td>
<td>20,428</td>
</tr>
<tr>
<td>Tax exempted</td>
<td>(137,817)</td>
<td>(224,207)</td>
</tr>
<tr>
<td>(Over)/underprovision in prior year</td>
<td>(2,420)</td>
<td>2,324</td>
</tr>
<tr>
<td></td>
<td>26,177</td>
<td>34,897</td>
</tr>
</tbody>
</table>

The levy income are tax exempted under Income Tax (Exemption) (No.19) Order 2005.

13. RELATED PARTY DISCLOSURES

There were no related party transactions during the financial year.

Apart from the Board of Directors, no remuneration was paid to other key management personnel during the financial year.
14. OPERATING LEASE COMMITMENTS

In 2018, the future minimum lease payments under non-cancellable operating leases as at the reporting date are as follows:-

<table>
<thead>
<tr>
<th></th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>814,730</td>
</tr>
</tbody>
</table>

Operating lease commitments represent rental payable for the rent of outlets. These leases have average tenure of between 1 to 2 years with renewal option.

15. FINANCIAL INSTRUMENTS

15.1 Financial risk management

OFS is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of OFS’s operations whilst managing its risks. OFS operates within clearly defined policies and procedures that are approved by the Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to OFS if a counterparty to a financial instrument fails to meet its contractual obligations. It is OFS’s policy to enter into financial arrangements with a diversity of creditworthy counterparties. OFS does not expect to incur material credit losses of its financial assets or other financial instruments.
15. FINANCIAL INSTRUMENTS (CONT’D)

15.1 Financial risk management (cont’d)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont’d):

(a) Credit risk (cont’d)

OFS is exposed to credit risk in the following areas:

(i) Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. OFS evaluates the concentration of risk with respect to trade receivables as low, as the Members who are Licensed or Approved Institution under Financial Services Act 2013 (FSA) or Islamic Financial Services Act 2013 (IFSA) or prescribed institution under the Development Financial Institution Act 2002 are required to discharge their obligation pursuant to the requirement of OFS’s Term of Reference (TOR) which is issued pursuant to the Financial Ombudsman Scheme (FOS) regulation.

Set out below is the information about the credit risk exposure on OFS’s trade receivables using a provision matrix:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>Expected credit loss rate %</th>
<th>Estimated total gross carrying amount RM</th>
<th>Expected credit loss RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due</td>
<td>-</td>
<td>-</td>
<td>228,400</td>
<td>-</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>-</td>
<td>-</td>
<td>64,600</td>
<td>-</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>-</td>
<td>-</td>
<td>13,600</td>
<td>-</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>-</td>
<td>-</td>
<td>9,100</td>
<td>-</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>-</td>
<td>-</td>
<td>72,600</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>388,300</td>
<td>-</td>
</tr>
</tbody>
</table>
15. **FINANCIAL INSTRUMENTS (CONT’D)**

15.1 **Financial risk management (cont’d)**

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont’d):

(a) **Credit risk (cont’d)**

OFS is exposed to credit risk in the following areas (cont’d):

(i) **Receivables (cont’d)**
Set out below is the information about the credit risk exposure on OFS’s trade receivables using a provision matrix (cont’d):

<table>
<thead>
<tr>
<th>2018</th>
<th>Expected credit loss rate %</th>
<th>Estimated total gross carrying amount RM</th>
<th>Expected credit loss RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due</td>
<td>-</td>
<td>263,200</td>
<td>-</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>-</td>
<td>66,100</td>
<td>-</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>-</td>
<td>15,000</td>
<td>-</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>-</td>
<td>13,500</td>
<td>-</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>-</td>
<td>46,950</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>404,750</td>
</tr>
</tbody>
</table>

(ii) **Cash and cash equivalents**
The credit risk for cash and cash equivalents is considered negligible since the counterparty is a reputable bank with high quality external credit rating.

(b) **Liquidity risk**

Liquidity risk is the risk that OFS will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arising principally from its various payables, OFS maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The maturity profile of OFS’s financial liabilities based on the contractual undiscounted repayment obligation is less than 1 year.
15. FINANCIAL INSTRUMENTS (CONT’D)

15.1 Financial risk management (cont’d)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont’d):-

(c) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of OFS’s financial instruments will fluctuate because of changes in market interest rates.

OFS’s fixed deposits with a licensed bank is exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of OFS’s significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting year is as follows:-

<table>
<thead>
<tr>
<th></th>
<th>2019 RM</th>
<th>2018 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate instruments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td>1,630,525</td>
<td>596,225</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,616,109</td>
<td>-</td>
</tr>
</tbody>
</table>

OFS does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates as at the end of the financial year would not affect profit or loss.

15.2 Fair value of financial instruments

The carrying amounts of financial assets and liabilities of OFS at the reporting date approximate their fair values due to the short term nature and insignificant impact of discounting.

15.3 Fair value hierarchy

No fair value hierarchy is disclosed as OFS does not have any financial instruments measured at fair value.
16. FUND MANAGEMENT

The primary objective of OFS’s fund management is to ensure that OFS continue to provide consumers with a vehicle for objective and timely resolution of disputes, claims and complaints arising from services provided by financial institutions.

OFS managed its fund structure through adjustments to members’ contributions such that contributions are adequate to finance OFS’s normal operations.

Total fund managed is the Members’ Funds as shown in the Statement of Financial Position.